POLICY POSITION

11. AUTHORITY OVER STATE CHARTERED FINANCIAL INSTITUTIONS

The Southern Legislative Conference is deeply concerned about proposed federal legislation which would limit state regulatory authority over state chartered financial institutions.

Certain proposals currently pending before the U. S. House of Representatives would limit all but a few of the activities of state chartered depository institutions to those which are permissible for federally chartered institutions, such as national banks, bank holding companies, and federally chartered savings and loans. Other proposals before Congress, while being somewhat less restrictive, would still impose narrow federal limitations on state chartered institutions operating under state law.

These proposed new restrictions would effectively halt recent trends toward the easing of restrictions on financial products available through state chartered institutions and would reverse actions occurring in the marketplace and taken by individual states to stimulate increased competition in the financial services industry.

Dynamic changes have occurred within the financial services industry in recent years, both under state charters and in the unregulated financial marketplace. These changes have resulted in a range of new, more flexible, more accessible, and more competitive investment, savings, and lending opportunities for consumers and business alike. Among the principal beneficiaries of these services are consumers from segments of society not traditionally included in the nation's economic marketplace.

After a great deal of study, both the Task Force on the Southern Economy, in its report to the 1980 Commission on the Future of the South, and the Southern Regional Banking Committee of the Southern Growth Policies Board have recommended that the states in our region take actions to allow our institutions to better compete in this rapidly changing national and international financial environment.

In an effort to stem the flow of capital from our region, to provide for continued regional economic development, and to provide better service to our consumers, several southern states have recently considered and enacted substantial revisions to state government regulation of banks and other financial institutions.

Our efforts to provide for economic development centered around southern institutions, in response to state needs, and under state initiative, is threatened by these new federal proposals. We view with alarm attempts by the federal government to legislate away the right of our states to consider and adopt policies which provide innovative and valuable services for our citizens.