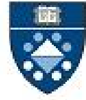

Lessons Learned Oral History Project Interview

Interviewee Name and Crisis Position	James Wigand[1] Deputy Director, Franchise and Asset Marketing, FDIC
Interviewer Name	Sandra Ward (contractor) Yale Program on Financial Stability
Date of Interview	March 4, 2020
Lessons Learned No.	2019-57

Introduction:

The Yale Program on Financial Stability (YPFS) contacted James Wigand by email to request an interview regarding Wigand's time as Deputy Director, Franchise and Asset Marketing at the Federal Deposit Insurance Corp. during the financial crisis of 2007-09.[2] The FDIC played a critical role in stabilizing financial conditions and establishing confidence in the financial markets through its liquidity and guarantee programs as well as in resolving an immense number of troubled banking institutions.

Wigand oversaw the resolution of all insured-depositary institutions during the crisis, finding and arranging acquirers for troubled banks or liquidating them as well as coordinating and acting as liaison between the chairman and board of directors at the FDIC. He served in this capacity from 1997 to 2010 at which time he was named the first director of the newly created Office of Complex Financial Institutions at the FDIC, an office formed under the Dodd-Frank Wall Street Reform and Consumer Protection Act. Wigand also acted as senior advisor to the chairman.

A finance specialist, Wigand was the Assistant Director for Capital Markets, Division of Depositor and Asset Services at the FDIC, overseeing the issuance and servicing of residential and commercial mortgage backed securities, between 1995 to 1997. Prior to that role, he served in various executive positions at the Resolution Trust Corporation from December 1989 until its closing in December 1995.

On leaving the FDIC in 2013, Wigand joined Millstein & Co. as a partner. When Guggenheim Partners bought Millstein in the fall of 2018, Wigand stayed on as a senior advisor and also started an independent consulting firm, Great Point Financial, roles he was actively engaged in at the time of this interview.

[*This transcript of a telephone interview has been edited for accuracy and clarity.*]

---

[1] The opinions expressed during this interview are those of Mr. Wigand, and not those any of the institutions for which the interview subject is affiliated.

[2] A stylized summary of the key observations and insights gleamed from this interview with Mr. Wigand is available here in the Yale Program on Financial Stability's *Journal of Financial Crises*.

Transcript:

YPFS: **I'd like to start with a description of your role at the time of the financial crisis, which, as I understand it, was Deputy Director for Franchise and Asset Marketing.**

Wigand: Correct. That is the position title for overseeing the resolution of banks and thrifts. Within the FDIC, which has three primary responsibilities - providing deposit insurance for covered accounts; serving as the primary federal regulator for state-chartered institutions that are not members of the Federal Reserve System; and handling bank failures of any insured-depository institution - I oversaw the resolution of all insured-depository institutions during the financial crisis. This involved leading a team of folks located primarily in Dallas, where the receivership and resolution operation has most of its staffing. However, there were other field offices at that time located throughout the country, and franchise and asset marketing staff worked in those offices as well. There also was a team located in Washington where I was working from.

YPFS: **That was quite a busy time for you?**

Wigand: Yes. It was a very busy time. I had to lead both the team and also coordinate and liaise with the chairman and board of directors of the FDIC and, between the two, I ended up having very busy days.

YPFS: **Much of the focus was on the big banks and the non-banks and it's less known that many, many smaller and regional banks went under.**

Wigand: There were many, many community banks and thrifts, over 7,000, in 2008. So, not surprisingly, the vast majority of resolution cases were small depository institutions with under $1B in total assets, most of which were on the East or West Coasts. Also, there were a few regional banks and the very notable larger institutions that ran into financial distress which required either resolution or assistance of one kind or another.

Almost 500 depository institutions having over $600B in assets failed during the Great Recession.

YPFS: **You were in that position from 1997 through the crisis. Can you contrast the crisis period with the decade before the crisis?**

Wigand: It was much different. In 1997, the FDIC had just finished reabsorbing the work and staff from the Resolution Trust Corporation. When I was at the Resolution Trust Corporation, I oversaw the management of all the assets in the failed thrifts that were in receivership and under the custodianship of the RTC. That experience gave me a good perspective on the issues involved with

having to manage and then liquidate, or otherwise convert to cash, the assets of failed depository institutions.

In 1997, the FDIC made a decision to merge two divisions into one. Prior to that time, there was a division for resolving failed banks and a separate division for managing receiverships. As part of that merger, we integrated the asset sale function of the receivership division, which managed and sold the assets brought under FDIC custodianship, with the resolution process. Historically, when the FDIC took over a distressed depository, it would either sell off its deposits franchise, transfer the insured accounts to a paying agent bank, or directly pay off the insured amounts. Later, it would liquidate the assets from the receivership estate.

We spent the first part of the decade 1997 to 2007 working on integrating and changing the resolution and asset sale programs' policies and procedures, and modifying the roles of staff as these processes were being integrated. While we were doing that, we had to deal with the issue of Y2K, which people tend to forget about because it ended up not being a problem. So, long story shortened, we modernized the resolution and asset sales practices of the FDIC.

It was an opportune time to do that because resolution activity was relatively slow. There was a little bit of a blip in the 2001-02 time frame when a number of depositories failed, but from 2004-07 there was nearly a three-year period in which no depositories failed. We spent the time enhancing our policies and procedures and ran simulations to keep our skills sharp. We also continued to modernize our IT systems based on our prior experiences dealing with bank resolution and asset sale activity. By the time we had our first failure in 2007, a small depository located in Pittsburgh with only about $16 million in assets and 4 employees, it was the first failure in almost three years. However, an interesting note on that is, because of the dismal condition of its books and records we had to staff more people on that failure than we did on the failure of the largest bank the FDIC ever handled, which was Washington Mutual.

YPFS: **That is extraordinary.**

Wigand: The takeaway on that is it's not so much the size of the institution that drives your staffing needs to handle a failure as it is the condition and the reasons why the institution is failing.

YPFS: **That seems to have been the case with IndyMac, too.**

Wigand: Yes. The year 2008, particularly in the second half of the year starting at the end of June, or early July, with the failure of IndyMac, a $30B California thrift, set off a two-year time period of dealing with many failures. Some of the failures followed the typical patterns of depleted-capital or credit failures and

were handled with the customary prompt corrective action protocols. Others, and we had not experienced this in the previous two decades, were liquidity failures. Institutions having actual or perceived asset quality problems would fail before fully depleting their capital because of their inability to meet financial obligations in the normal course of business. That was an element we had not had to deal with in my previous 20-plus years of working with the FDIC and RTC.

YPFS: **How did you respond to that?**

Wigand: We thought about how we could better prepare for an expedited resolution process. Unfortunately with a liquidity failure, the downside of having an expedited resolution process is that even though the FDIC's primary mission of providing insurance coverage would always be fulfilled, it may not be fulfilled in as seamless a way as one would like, especially when there is financial instability.

We looked at how we could eliminate the obstacles to an expedited process. A program we came up with was one in which we would have calls with other regulators on a weekly basis to discuss problem banks. During those calls, if it appeared a problem institution would likely need to be resolved, the primary federal regulator would be asked to require that the institution engage a financial advisor to either raise capital or market the bank. That resulted in the financial advisor collecting and preparing the type of information the FDIC would need in the event the bank ultimately failed. This was accomplished under the umbrella of supervision directing the bank to find a private sector solution without the institution ever realizing the request had the very strong collateral benefit of allowing the FDIC to start off from a higher point on the learning curve for its resolution process.

For example, if the institution hired a financial advisor and went through a full-blown marketing process, the financial advisor would have assembled all the information that potential acquirers would want to review for their due diligence. If that private sector process was unsuccessful, then the FDIC could step in and use that same information, maybe with some tweaking for marketing the institution with FDIC assistance.

YPFS: **That would certainly streamline the process.**

Wigand: Yes, and for liquidity failures that program worked well. With IndyMac there was some unexpected negative publicity that necessitated its resolution in a very expedited fashion, even though it was, as all these institutions were that were liquidity failures, already under some degree of distress. The process in which IndyMac had to be resolved was one we did not want to use on a regular basis. So having regulators order institutions that appeared to be in distress set up programs for either raising capital or finding acquirers, and then

allowing the FDIC to use that information in its resolution process, expedited the process and avoided the FDIC having to go to a bridge bank, conservatorship or a payout, which is what happens if there is insufficient information and time to market the institution.

YPFS: **What set IndyMac apart? What was it about that particular failure that you didn't want to see on a regular basis?**

Wigand: The fact that it had to be resolved very quickly and placed into conservatorship, which is an intermediate step to a permanent resolution. It would be under FDIC or government control for a period of time as the institution's deposit franchise and its assets were marketed. The negative part of that is it requires a significant amount of staffing and resources to run an institution while it is in a bridge bank or conservatorship. To give an example, when the FDIC stepped into the role of conservator for IndyMac initially there was a reluctance on the part of depositors to leave their money in the institution. This resulted in the FDIC needing to lend cash to the conservatorship to fund deposit withdrawals, even though it was under government custodianship.

YPFS: **There was a run on the bank?**

Wigand: Depositors would withdraw their funds and that resulted in the FDIC, in its corporate capacity, having to lend money to the conservatorship. The Deposit Insurance Fund's available cash was being used to fund those depositor withdrawals during a period in which the FDIC was trying to conserve resources for future failures, this was problematic. If this set of circumstances were repeated over and over again, it would not make for the most effective use of both the Deposit Insurance Fund's available cash and FDIC resources in general, including staff.

That was one of the take-aways from IndyMac. Having to defer the sale of the deposit franchise and the institution's assets consumed a significant amount of FDIC resources, which on a one-off basis was not a big deal. But if that experience were to be repeated again and again, it would've become problematic.

YPFS: **Was that one of the events that led to the creation of the temporary guarantee program? Was it an instructive lesson?**

Wigand: IndyMac's failure was an instructive lesson but I wouldn't say it directly led to the guarantee programs. However, it did inform us on the need to keep healthy institutions, institutions, ones that would otherwise be viable except for the temporary need for liquidity, off the resolution track. As I indicated in my earlier comment, IndyMac was in distress. From a credit perspective, its balance sheet was bad. There were other institutions during this period of time where the credit quality was otherwise as good as it could be. Certainly,

the sector overall was distressed, compared to where it had been. But there were many institutions that would be viable if it weren't for the fact that they were running short on liquidity that they would have been able to obtain had market conditions not become so risk averse. To some extent, IndyMac informed us what could happen, particularly with respect to a deposit run. The need for liquidity and preserving it and building confidence that funds would be there to meet a bank's obligations was important.

This was an element that informed the guarantee program, but the genesis of that program was around the observation that the interbank credit markets were frozen. Banks wouldn't lend to each other because they didn't know if their counterparty would be viable.

YPFS: It's amazing to think, 10 years later, how critical and serious this was to the functioning of the country and the world.

Wigand: There was a point in late September 2008, after Washington Mutual had failed, after Wachovia's acquisition was announced and after the first proposal of federal assistance legislation failed to pass, that was especially troubling. The credit markets were literally seizing up and there was great concern that without some major governmental assistance programs, the financial system would collapse.

YPFS: You mentioned there were regular interactions between your group and other federal agencies.

Wigand: Yes. For every institution a regulator identified as having a distressed balance sheet, putting aside the liquidity issue, there would be discussions about when an institution would likely have to be put into receivership if it weren't able to correct its problems either through raising capital, finding an acquirer, or shrinking its balance sheet so it could meet necessary capital requirements. Those discussions would continue with regulators on a regular basis, putting aside the weekly meetings on dealing with distressed institutions that might fail.

Since the group I oversaw handled the sale of both the deposit franchises and assets, we would interact with regulators if another bank wanted to acquire a failing bank. The regulator of the bank making the acquisition would want certain information associated with the transaction so it could feel comfortable that the entity making the acquisition would remain viable and could manage the acquisition.

YPFS: We've talked about IndyMac and to some extent WAMU and Wachovia. When you think back on it, were those the most notable resolutions, and the most controversial, or were there others that stand out as maybe better examples?

Wigand: Washington Mutual is perhaps the most notable given its size and somewhat controversial for the fact that it failed rather than having received government assistance. Policymakers had to grapple with the questions of whether Washington Mutual itself posed a systemic risk and whether the systemic risk exception for providing FDIC assistance to an open bank should be invoked for Washington Mutual. Or was Washington Mutual not a direct systemic risk, but rather, its failure could be a source of contagion? I am of the opinion, and others may disagree, that Washington Mutual, by itself, didn't pose a systemic risk to the financial system, provided that the FDIC could transfer all of its deposit accounts to an acquirer. However, if only the insured portion of deposit accounts could be transferred, that may have been problematic. Uninsured depositors losing money at WAMU would have likely caused any uninsured depositor to lose confidence in the banking system and possibly withdraw their uninsured funds from banks.

The transaction that was structured for the resolution of Washington Mutual not only dealt with deposit accounts but also debt that was issued by the bank and its holding company. The FDIC looked at what that debt was trading at prior to Washington Mutual's resolution. We looked at trades in August and we looked again in September. Admittedly, the market was thin. However, bonds that were selling were going for 30 and 40 cents on the dollar. The expectation by those in the marketplace was that Washington Mutual would fail and there would be a haircut -- those bonds would not pay-off in full.

That being said, when Washington Mutual did fail, it represented a shift in the government's attitude toward providing assistance. Earlier Bear Stearns was resolved without having it go into bankruptcy, because JP Morgan Chase acquired it with assistance from the New York Fed. Fannie Mae and Freddie Mac bond holders were protected when the enterprises were put under government conservatorship as were AIG creditors when it received government assistance. However when Lehman Brothers declared bankruptcy, markets took that as a signal the government's approach was shifting, and Washington Mutual's failure reinforced that perception. A signal was sent that clearly reinforced the belief that the government was no longer willing to always protect a failing financial institution's creditors.

That, in turn, did have an effect on Wachovia. Its asset book was very similar in some respects to Washington Mutual's. Wachovia had purchased a West Coast thrift and its footprint overlapped significantly with Washington Mutual's. So, investors started thinking, well, Wachovia looks a lot like Washington Mutual with respect to its single-family mortgage portfolio and we might suffer losses if we hold its unsecured debt. That in turn then created a need to have Wachovia either be acquired, raise capital, or otherwise be resolved. By itself, WAMU really wasn't systemic. But, it is illustrative of how a change in market perception can have an effect, particularly during a time of financial instability. And it's also illustrative of how market participants will

look at an acquisition, in this case JP Morgan's acquisition of Washington Mutual, and use that information as a basis to reprice similar asset books.

YPFS: Good point.

Wigand: This debate continues. Was it the right decision or the wrong decision? I'm not sure there is a "right answer" to it. I think the takeaway is that there are some lessons to be learned, and I think the lessons are: that a shift in approach, whether deliberate or unintentional, will send a signal of change in policy to the marketplace, and when an acquisition takes place, market participants will use that information to evaluate other institutions that are similarly situated. Wachovia was the most notable example. But, the most difficult bank resolution during the crisis was one you may not have even heard of, and that bank was Colonial Bank.

YPFS: You're right. Tell us more.

Wigand: Colonial was an $25 billion subsidiary of Colonial BancGroup located in Montgomery, Alabama. What made it so difficult was that the Treasury special inspector general for the TARP was investigating mortgage fraud associated with one of the bank's largest borrowers at a time when the bank was distressed. During the course of that investigation, the IG realized that the borrower, Taylor, Bean & Whitaker had perpetuated a major fraud on Colonial Bank. Colonial Bank's underwriting practices and controls were evidently sub-par, otherwise the bank would have detected the fraud which had been ongoing for over five years. The inspector general decided to make a rather splashy example of its work and called up media to announce the finding, resulting in television cameras filming the IG's team as it entered the offices of Taylor, Bean & Whitaker.

YPFS: That seems very un-Treasury like.

Wigand: Colonial needed to be resolved very quickly. The problem was that we didn't know the extent of the fraud and control weaknesses. It's very difficult to sell something if you don't know exactly what it is you're selling. The events happened in very short order. My recollection is that within a day of the inspector general making this announcement, I started to schedule meetings with prospective buyers for Monday of the following week. I remember riding Amtrak to New York Sunday evening, and thinking to myself, what is it I'm going to say about the condition of Colonial Bank's assets, books and records to these potential acquirers?

We were trying to get up-to-date information as quickly as possible. Auditors were working through the night trying to ascertain the extent of the fraud and whether or not it was isolated to certain borrowers or credit lines or programs. I don't think I slept at all that Sunday night. You didn't sleep a lot in that time period. But that particular night I didn't sleep because of not knowing

what it was that we actually could offer to an acquirer. Was this going to be a repeat of IndyMac where we had to put it into a bridge bank and have to go through that process again?

We were moving through the crisis at this point. This was later on, in the summer of 2009, and the message we wanted to send was that the crisis was under control and we didn't want something to create a hiccup again.

YPFS: What did you do? Did you just come clean and say you have to take this risk because we don't know the extent of the problem?

Wigand: We excluded the asset portfolios and programs where we knew there was fraud and provided indemnification on the rest. We used the best information we had available, recognizing that an unexpected discovery could change things. It's not comfortable to be in that position. We would have liked to have a higher degree of confidence in knowing what we were selling. But by the time we got further into the week, we were confident that there was a high probability the scope of the fraud was fairly limited.

YPFS: How did this lead to your role as director of the Office of Complex Financial Institutions, one of the greatest names ever of a division?

Wigand: I don't know how the name was developed other than it reflects the fact that it's not the size of the institution that makes it difficult to resolve, it's the complexity and linkages with the rest of the financial system.

YPFS: It can include small banks, or non-banks?

Wigand: Yes, smaller banks and financial companies that are critical to the stability of the financial system. Prior to Dodd-Frank no government agency had the authority to resolve a non-bank financial company. Non-bank financial companies could only be handled in the bankruptcy courts. This presented a frustrating problem to policy makers, going back to Wachovia for example, in cases in which there was a bank underneath a holding company, with many affiliates connected into the financial system. One couldn't just resolve the bank because of its linkages to the holding company and its affiliates. If the bank failed, then it might result in the failures of its parent and certain affiliates, each possibly having a different entity overseeing its insolvency/resolution. This would likely result in a disorderly process causing the companies' creditors to suffer greater losses than what would occur in a more orderly resolution.

There was no agency within the government that had the authority to resolve the whole enterprise. The FDIC, given its track record of performance in resolving banks, was the only agency with having substantial experience handling financial company failures and ended up with that authority. That was a little controversial because the FDIC doesn't have experience resolving

big complex banks much less bank holding companies.. However, no agency does.

YPFS: What other agency could have handled that responsibility?

Wigand: There isn't a federal agency that resolves large financial companies on a regular basis. And that's a good thing. When it gets down to it, the types of issues one has to handle in the resolution of a large financial company aren't dissimilar to what you have to deal with in a small bank. In many smaller institutions you're likely to see resolution issues similar to those that you would find in a large institution failure. The difference is that any one small institution will only have a subset of the ones at a large company. But if you consider the myriad of small institutions, collectively you end up seeing most of what you find in large institution resolutions. However, there are some important unique aspects of resolving large institutions. Notably, the scale of interconnectivity with the financial system. But, the FDIC routinely resolving small banks is as close as you're going to get.

YPFS: Giving the FDIC the authority to handle complex financial institutions was a way of acknowledging the agency's broader role?

Wigand: It was a way of addressing a gap that had developed in the regulatory system and in the resolution framework for dealing with failing financial companies. In the 1980s and '90s, the banking system was evolving and what had been strictly commercial banking was morphing into enterprises that provided commercial banking and investment banking services. There were now broker-dealers affiliated with commercial banks as well as other affiliates involved in financial intermediation under one enterprise. Citicorp is an example.

YPFS: The Sandy Weill model.

Wigand: Exactly. Sandy Weill transformed Citicorp from what had been mostly a commercial bank into a much larger financial enterprise. The financial regulatory system and resolution framework did not keep pace with that. Even though these financial companies were being created and were presenting the possibility, however remote, of failure, nobody was thinking about a framework that could deal with the failure of one of these.

YPFS: The Glass-Steagall Act was still in place but being ignored?

Wigand: It was being chipped away, but by the time you got to the late '90s though Glass-Steagall was gone.

YPFS: Written out of existence?

Wigand: Yes. In the '80s, they turned a blind eye. Most of it was officially repealed in 1999, under the Gramm-Leach-Bliley Act.

YPFS: Where do you stand on that issue? Once it's gone, can it come back? Should it come back? Have regulatory responses adapted to deal with the changes?

Wigand: The system continues to evolve. I personally don't see much, if any benefit in going back to Glass-Steagall. However, I think our current framework for regulating financial intermediation is not positioned well for the future. Our regulatory framework is charter or a license based. For commercial banks, insurance companies, and broker-dealers, there are different state and/or federal regulators involved. A system that is based on the regulation of the financial activity or service rather than the legal entity or charter, would be able to keep better pace with new entrants in financial intermediation. Financial services are increasingly performed by entities that don't have bank charters – non-bank banks or shadow banking. These companies potentially could pose a risk to the overall financial system, but they may not be regulated despite the risks they might pose.

One can argue, for example, that consumer protection regulations apply regardless of charter type. That's true. But those regulations are intended to protect the consumer. They aren't designed to supervise the entity that is providing credit and determine whether it is doing so in a sound fashion. That's where, as the financial system continues to evolve, a gap may be in the works, and where we find there are now entities that are outside of regulation that may pose a risk to the financial system.

YPFS: Can you point to an example or are you speaking hypothetically?

Wigand: At the current time, given the size of any of these entities, it is hypothetical. But there certainly are entities that you have heard about that potentially could pose a risk. One example would be Facebook's Libra concept, where Facebook not only would perform payment service like a bank, it also would become a central bank due to the issuance of its own currency.

YPFS: You're referring to Facebook's bitcoin project?

Wigand: Yes. Libra would be a bitcoin-like cryptocurrency issued by Facebook. People still are struggling to figure out what bitcoin is. Is it a currency, is it a security, or is it a speculative commodity? And Libra, the way it is pitched, appears to be more of a virtual currency with a dedicated payment system. Let's assume that it could serve the role of a currency, meaning that is has price stability. If we assume Libra's cryptocurrency can serve the role of a currency, then Facebook would perform some functions of a central bank. How would Facebook control the usage of Libra, the amount of Libra in circulation, where

it goes, and the ease of convertibility into other currencies? How would it manage a run on Libra if markets became highly risk averse to using it?

One lesson learned from the gap that existed in authorities to deal with large complex financial companies, is that it takes a long time and political will to close. It's not too early to start thinking about how to deal with the increasing amount of financial service performed by nonbank banks.

YPFS: **Do you think those discussions are taking place in a robust way under this administration?**

Wigand: Much progress has been made addressing the problems that we experienced in 2008. Has too big to fail ended? The answer is somewhat complicated. I believe that both regulators and firms have made substantial progress in developing the infrastructure to avoid systemic problems in the event a large financial company failed. If the financial environment were relatively placid, stable, healthy, however one wishes to characterize it, and not in a state of distress or instability, a large financial company could fail without posing significant risk to financial system stability.

The answer gets more complicated if, for example, many financial companies, because of a major shock to the financial system, are having to revalue their balance sheets. Programs need to be developed to deal with that scenario. There is a great reluctance to talk about such programs because of the perception that they would be considered bailouts. The reality is if the financial system in distress, some type of broad programmatic response will be necessary. Everybody agrees with that. But there is a hesitancy to work out in advance what those programmatic responses will be. One can say that we'll just pick up the playbook from 2008 and look at those programs and see if we can implement them. We may or may not be able to, depending on the political environment, because some of the authorities we had in 2008 were taken away. There may not be the political will to reauthorize those programs.

YPFS: **Now Congress needs to approve certain programs, correct?**

Wigand: That's right.

YPFS: **Congress seems to be taking a bipartisan approach on this Coronavirus pandemic.**

Wigand: We'll see how it plays out. Clearly, the Fed is concerned about the economic fallout from the pandemic, both domestically and worldwide. Financial institutions, especially smaller ones located in an areas that are dependent on tourism and hospitality, may run into distress. Are they going to fail? Maybe. I don't know.

YPFS: Talk about the global impact. Is there a lot more cooperation with global entities as a result of the financial crisis of 2007-09? Does there need to be?

Wigand: Yes. One of the most important and underappreciated benefits of the financial crisis is that both domestically among federal government agencies, and also on an international basis, there was substantial improvement in communication and coordination. Prior to the financial crisis, there would be some communication and coordination among regulators. But after the financial crisis, entities were created for the very purpose of improving communication and coordination. Bill Seidman, a former chairman of the FDIC, had a great saying, "We all stand from where we sit." He was making the point that every regulator and resolution authority will look to fulfill its agency's mission responsibilities. But knowing what those are for another regulator is very important. It helps frame both your understanding of what that other regulator has to do, and also what you might be able to do to facilitate making progress on whatever issue you're attempting to solve.

That also holds true at the international level. As an example, prior to the financial crisis, I had met with Bank of England officials only once. It was basically a meet and greet type of visit. Then the financial crisis hit and afterwards I had multiple meetings with Bank of England staff per year. The benefit of those meetings was a much better understanding of what the authorities the Bank of England had, its mission objectives, and how a failure would be handled in the normal course of events. Also, I had a better understanding on where we could coordinate and where there would be friction.

Of course, you can only speculate on what a future policymaker will do in your own organization, much less one will do in another organization. Yet, the fact that before a crisis hits regulators had been communicating regularly and are familiar with each other's mission responsibilities will be very helpful. Before the last crisis, I didn't even know who to call at the Bank of England to discuss cross-border resolution issues.

YPFS: I would think the cross-pollination of ideas and solutions would be invaluable.

Wigand: Absolutely. Communication is key. I can't emphasize strongly enough the benefit of this. I still remember meeting with Paul Tucker, then the Deputy Governor of the Bank of England, and discussing with him FDIC's strategy for using Title 2 authority, and him then having an opportunity to say, "yes, I agree with that", or "maybe this might work a bit better." Having that discussion was important because both the U.K. and the U.S. share several very large financial companies in common, and what one resolution authority does in the event of distress at one of those could really impact the outcomes for the other.

YPFS: **Did the Office of Complex Financial Institutions evolve from the administration of the FDIC, or was it created under Dodd-Frank?**

Wigand: Prior to Dodd-Frank, the FDIC had authority for what it called back-up examination of banks. So, within the FDIC there was a group that reviewed the largest banks, even if the FDIC was not the primary federal supervisor. That group was used to seed the Office of Complex Financial Institutions given that we already had examiners who were familiar with the operations of the large banks and some of their affiliates. But it was Dodd-Frank that gave the FDIC the authority to resolve systemically important financial companies and created the organizational dynamic to establish the Office of Complex Financial Institutions.

YPFS: **Do you consider Dodd-Frank a success? What are your thoughts on Dodd-Frank?**

Wigand: To a large extent, the legislation addressed many of the regulatory and resolution gaps that had developed since the 1980s. But we have to be careful, as I mentioned earlier, about only solving problems we experienced in the last war.

YPFS: **Because it will never look like the last war?**

Wigand: Each crisis will always be different from a prior one, but they also will be variations on a prior theme. I've seen this occur time and time again with the hundreds of bank failures that I have been involved with resolving over the years. They are all a little bit different, some more different than others, but they also have common threads. For example, poor credit underwriting. Poor credit underwriting can manifest in a number of different ways and present itself with different outcomes and affect different types of entities. Banks, because of their supervision, and the stress tests that the larger institutions have to undergo, may be able to withstand a limited credit shock. But, what if a nonbank bank outside of the regulated environment gets into trouble? Different story.

YPFS: **Still things to be scared about.**

Wigand: Prior to the financial crisis, a significant amount of financial services was performed outside of banks. A very significant portion. It has only become more so. This leaves the tools available to policymakers to be somewhat limited.

YPFS: **What, for you, were the biggest lessons learned from this period of time?**

Wigand: Having the bank resolution process appear to the public, and especially depositors, to be seamless and minimizing the economic effects of a financial company's failure. The FDIC did a good job of developing programs that not

only minimized the cost to the Deposit Insurance Fund for performing the resolution function, which is a statutory requirement, but also made that process as seamless as possible for depositors. That is perhaps the most important aspect of, or lesson learned, of programmatic responses: design them so that the agency's mission can be accomplished and fulfilled, but do it in a manner that minimizes the distress already in existence in a financial system and hopefully even builds confidence back in the financial system. That is lesson No. 1.

Lesson No. 2 would be the importance of cross-agency coordination and communication. I gave the example of post-IndyMac liquidity failure challenges. If that interagency problem bank coordination program had not been established, the FDIC would have been in a much more difficult position to perform its mission responsibilities, creating more stress both on the FDIC and in the markets.

YPFS: **Was this a stressful time for you, or do you thrive under those kinds of conditions?**

Wigand: It was actually very energizing. Granted, we all worked very long hours. But I would say, and it is probably a common response from everybody who worked through the financial crisis, that you were energized, willingly stepped up to the challenge, and enjoyed the work. An observation, not a lesson learned, I made during the crisis that I wish the public could have seen, would have been any of the 4:00 a.m. or 5:00 a.m. conference calls that would include dozens of people on the phone to deal with a situation that required immediate attention. There was no hesitancy among those folks to step up to the plate to do it. It was humbling to see so many hard working and dedicated public servants and private sector workers to the cause.

YPFS: **Thank you, Jim.**

Suggested Citation Form: Wigand, James, 2020. "Lessons Learned Interview." Interview by Sandra Ward. Yale Program on Financial Stability Lessons Learned Oral History Project. March 4, 2020. Transcript. https://ypfs.som.yale.edu/library/ypfs-lesson-learned-oral-history-project-interview-james-wigand

Copyright 2021 © Yale University. All rights reserved. To order copies of this material or to receive permission to reprint any or all of this document, please contact the Yale Program for Financial Stability at ypfs@yale.edu