Statement of Chairman Sherrod Brown
"Oversight of U.S. Financial Regulators: Accountability and Financial Stability"
May 16, 2024

Today we'll hear testimony from three key financial regulators whose agencies are responsible for protecting our banking system and making sure it serves all Americans.

This hearing comes one week after the release of the independent review of sexual harassment and workplace misconduct at the FDIC.

The review made clear that the FDIC has serious, long-running problems.

For far too long, its leaders failed to take action to protect the FDIC's most valuable resource: its workers.

The review details episodes of harassment, discrimination, and other misconduct that no one should ever have to endure, especially in their workplace, and that can never be tolerated. Period.

Chair Gruenberg, you owe workers at the FDIC, this committee, and the American people clear answers and decisive action.

That includes your plan for restoring the FDIC's culture and regaining the trust of your employees.

The steps you will take to put an end to workplace misconduct, harassment, and discrimination, and to ensure that victims aren't silenced.

And how you will ensure that perpetrators are finally held accountable.

The FDIC cannot fulfill its mission of maintaining stability and public confidence in the nation's financial system until the issues raised in the independent review are fixed.

Failure is not an option.

Chair Gruenberg, I hope you recognize this moment for what it is—a crisis.

Every FDIC employee – every American – deserves a workplace free of harassment and discrimination.

And the public should be able to have confidence that the people at this agency can focus on their jobs.

When workers face a toxic culture like this, it hurts the agency and its mission. Workers don't speak up when they spot problems if they're afraid of retaliation.

This is not a small, internal issue. It affects the public.

Most Americans don't think much about the FDIC. They shouldn't have to. That's the whole point – for people to have confidence their money is safe in the bank, without ever having to give it any thought.

And that's why the job of this agency is so crucial.

The FDIC prevented the Great Recession from becoming a Great Depression, after the 2008 financial crisis.

The FDIC's action was crucial after the collapse of Silicon Valley Bank and Signature Bank threatened to create a domino effect of bank failures.

We need an effective leader at this agency to ensure its workers can continue to protect Americans' hard-earned money and savings.

Chair Gruenberg, it's up to you to prove to the public and to your employees that you are that leader, and are able to restore confidence in the FDIC.

The management challenges at the FDIC only make it that much harder for the agency to focus on the crucial work it is doing, along with the Federal Reserve and the OCC.

In the last year – since the collapse of SVB and Signature Bank – your agencies have helped make our banking system safer and more resilient.

The FDIC, Federal Reserve, and OCC issued the Basel III Endgame capital proposal to protect Americans from another financial crisis.

We must ensure that the largest banks have enough capital to prevent another taxpayer-funded Wall Street bailout.

That's what these rules do, and they make sure that banks can continue to lend to their communities in good times and in bad.

The proposal also recognizes the systemic importance of large banks, like Silicon Valley Bank, that are not as big as Wall Street megabanks—but can still do real damage to our economy when they fail.

Of course, the industry and its allies on Capitol Hill have trotted out the same old tired – and always well-funded – arguments.

But the reality is that the largest banks have been telling their shareholders and Wall Street analysts that they will be able to handle the capital rules without a problem.

They've bragged about how they have remained wildly profitable, all while comfortably meeting the projected capital levels required under the proposed rule.

And if this all sounds familiar, this Committee hosted the CEOs from the biggest banks last fall and not a single CEO told us they would be unable to meet the capital levels required under the proposal.

That is why it is imperative that your agencies finalize a strong capital rule that protects Americans and doesn't reward Wall Street's whining.

The FDIC and OCC are also working to rein in the risky incentive-based compensation structures that have time and time again brought our banking system to the brink of collapse.

Wall Street firms set up a system that rewards traders for exactly the kind of risky behavior that serves no benefit to the economy and just puts other people's money at risk.

We saw this in 2008 – when this model essentially tanked the economy and ruined people's lives.

And we saw it again with the failure of Silicon Valley Bank last year.

This new rule can't go forward without the Federal Reserve joining the process.

The Fed must know what's at stake here. Its own report on Silicon Valley Bank noted how incentive-based compensation encouraged excessive risk-taking that eventually led to the bank's failure.

Mr. Barr, I look forward to seeing the Fed join this effort as soon as possible.

This is also why the Senate must also pass our RECOUP Act, which this committee passed last year with overwhelming bipartisan support, 21-to-2, to ensure reckless executives who wreck their banks face real accountability.

Finally, we need action to address alarming trends in the banking system.

Over the last several decades, we've lost thousands of banks, while the largest ones have grown to control hundreds of billions or trillions in assets.

A strong merger review process prevents banks from growing dangerously through acquisitions or mergers.

Americans can't afford mergers that pave the way for banks to take out competitors, close branches, and lay off employees.

The OCC and FDIC have begun to review the merger process, and I expect the Federal Reserve to take steps to ensure it has its own robust review process.

Wall Street bankers crashed the economy in 2008. Americans are still paying for it, more than a decade and a half later.

That is why your agencies – and the women and men who work there – remain so important.

It is vital that they are able to do their jobs serving the public, free from fear of harassment and workplace misconduct.

And ultimately you, as leaders, are responsible for what happens at the agencies you lead.

I expect to hear from Chair Gruenberg, specifically, on what you plan to do to make fundamental changes to the FDIC and its culture.