



United States House of Representatives
One Hundred Eighteenth Congress
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

November 17, 2023

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW,
Washington, D.C. 20429

Dear Chairman Gruenberg:

We write to make you aware that the Committee on Financial Services (Committee) will be opening its own investigation into the Federal Deposit Insurance Corporation (FDIC)'s toxic workplace. Unlike your review, the Committee's investigation will focus not only on the alleged widespread and entrenched misconduct and toxic work environment, but whether this environment impacted the safety and soundness of the banking system. Moreover, because "the agency's problems stretch back more than a decade and have persisted through changes in leadership, administrations and internal investigations," we are concerned the FDIC, under your leadership, lacks the ability to address the problems.¹ Our concern is underscored by your nearly 20-year tenure in all aspects of leadership and management at the FDIC, including serving twice as Chairman. It has failed to instill the confidence the public needs to know their banking system is and will be safe and secure in the future.

In addition to workplace culture and misconduct, the Committee will further investigate your personal conduct and whether it conformed to the standards expected of our banking regulators. We are troubled that when initially asked on November 15, 2023, about whether you had been investigated for inappropriate conduct during your time at the FDIC, you testified "No, Mr. Chairman."² Only after consulting with FDIC's General Counsel, did you change your testimony to explain that you had in fact been investigated in 2008.³

The Committee has serious concerns that these workplace issues affected the agency's ability to oversee the banking system. In April of this year, you commissioned a report on the failure of Signature Bank. That report stated, "the FDIC experienced resource challenges with examinations staff that affected the timeliness and quality of SBNY examinations."⁴ These challenges go beyond the FDIC's New York regional office to include other FDIC regions. Yet your report's limited discussion of staffing challenges related to bank examiners did not consider

¹ Rebecca Ballhaus, *Strip Clubs, Lewd Photos and a Boozy Hotel: The Toxic Atmosphere at Bank Regulator FDIC*, THE WALL STREET JOURNAL (Nov. 13, 2023), <https://www.wsj.com/us-news/fdic-toxic-atmosphere-strip-clubs-lewd-photos-boozy-hotel-12c89da7>.

² *Oversight of Prudential Regulators: Hearing Before the H. Comm. on Financial Services*, 118th Cong. (2023)

³ *Id.*

⁴ FEDERAL DEPOSIT INSURANCE CORP., FDIC'S SUPERVISION OF SIGNATURE BANK 4 (APR. 28, 2023).

The Honorable Martin J. Gruenberg

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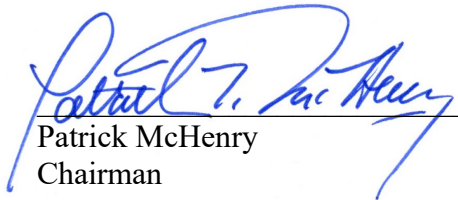
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how the longstanding toxic FDIC culture inhibits employee retention. By ignoring or choosing to remain silent about workplace misconduct at the FDIC, your leadership may have contributed to the financial instability and threats to financial security of Americans that were observed in March.

It is important to note that our work will also be informed by the FDIC Office of Inspector General (OIG). The FDIC's OIG plays a vital oversight role in protecting against potential waste, fraud, abuse, and mismanagement of FDIC programs and operations. In fact, in July 2020, the OIG published a report concluding that the "FDIC had not established an adequate sexual harassment prevention program."⁵ While the agency implemented the OIG's 15 recommendations to its satisfaction, it is not clear whether any of those corrective actions address the core culture issues identified by the allegations reported this week.

Chairman Gruenberg, the viability of your leadership is in question. Notwithstanding the toxic environment over which you presided in some leadership capacity over the last 18 years, your conflicting testimony in this week's hearing before the Committee was alarming. As we conduct our investigation, it is our expectation that the FDIC and its employees will be cooperative, fully transparent, and timely in responding to the Committee's requests. The Committee will use its full arsenal of oversight and investigative tools, including compulsory mechanisms, to ensure that our banking system remains safe and sound.

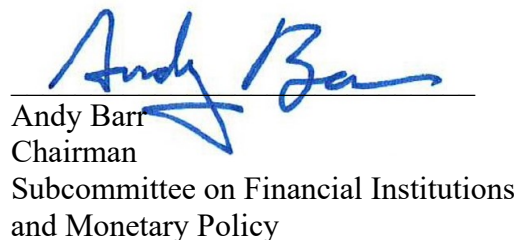
Sincerely,



Patrick McHenry
Chairman



Bill Huizenga
Chairman
Subcommittee on Oversight and
Investigations



Andy Barr
Chairman
Subcommittee on Financial Institutions
and Monetary Policy

⁵ FED. DEPOSIT INSURANCE CORP. OFFICE OF INSPECTOR GEN., EVAL-20-006, PREVENTING AND ADDRESSING SEXUAL HARASSMENT (2020).