

## SENATE BANKING HEARING ON PENDING NOMINEES

### EXECUTIVE SUMMARY

On July 11, the Senate Banking Committee held a [hearing](#) to consider several pending financial nominations. During the hearing, the discussion's tone was largely productive and predominantly focused on Ms. Christy Goldsmith Romero's nomination to be Chair of the Federal Deposit Insurance Corporation (FDIC). Though some Republicans on the panel expressed slight skepticism toward Ms. Goldsmith Romero's qualifications — especially relating to her time as Special Inspector General for the Troubled Asset Relief Program (SIGTARP) — those in attendance generally engaged positively with her and the other nominees on substantive matters.

In contrast, Committee Democrats were effusive on the nominees' qualifications. The ongoing fallout of the Cleary-Gottlieb independent [report](#) on the FDIC's workplace culture was a frequent topic of conversation, with Ms. Goldsmith Romero pledging to make addressing the agency's organizational environment one of her top priorities. On policy matters, Ms. Goldsmith Romero indicated her willingness to repropose prudential regulators' Basel III Endgame capital [rulemaking](#) to allow for a new period of public comment, and expressed her desire to pursue reforms to promote better use of the Federal Reserve's (Fed) discount window. In their question-and-answer opportunities, Mr. Gordon Ito and Ms. Kristin Johnson identified climate-related catastrophes and the role of social media in bank runs, respectively, as potential risks to U.S. financial stability.

### OPENING STATEMENTS

**Chair Sherrod Brown (D-OH)** ([statement](#)) hailed the qualifications of the nominees, including Ms. Goldsmith Romero's career as a public servant, noting that she has received unanimous consent from the Senate in two previous nominations. He expressed confidence that Ms. Goldsmith Romero will ensure accountability for fraud and misconduct, and recognized the drastic cultural changes she would need to oversee at the FDIC. He praised the public and private sector experience of Ms. Johnson and noted her academic expertise in financial law and policy. Chair Brown concluded by elaborating on Mr. Ito's state-level experience as Insurance Commissioner in Hawaii.

**Ranking Member Tim Scott (R-SC)** ([statement](#)) denounced FDIC Chair Martin Gruenberg's tenure and reiterated calls for the Chair's immediate resignation. He also expressed concern that Ms. Goldsmith Romero lacks the banking regulatory experience to head the FDIC, especially with the need to reform the agency's culture and implement Basel III Endgame.

**Sen. Mark Warner (D-VA)** highlighted the experience of Ms. Goldsmith Romero as a Commissioner with the Commodity Futures Trading Commission (CFTC). He hailed her record of protecting

consumers and investors. He noted her roles as SIGTARP and a counsel for two chairs of the Securities and Exchange Commission (SEC). Sen. Warner also praised her experience in the private sector, focusing on her work with industry stakeholders on digital assets.

## **WITNESS TESTIMONY**

**The Honorable Christy Goldsmith Romero** ([testimony](#)), Chairperson and Member Designate, Board of Directors of the Federal Deposit Insurance Corporation, reinforced her dedication to the stability of the U.S. financial system. She praised the role that small and community banks play across the country. She expressed eagerness to pursue further regulation of derivatives. She also noted that, as FDIC Chair, she would prioritize stability and confidence in the financial system. Ms. Goldsmith Romero committed to pursuing thorough cultural reforms at the FDIC and pledged to ensure that the agency keeps pace with the modernization of financial services.

**The Honorable Kristin Johnson** ([testimony](#)), Assistant Secretary Designate, Treasury Department pledged to ensure the strength and stability of U.S. financial markets. She pledged to ensure access to credit, housing, and financial services on fair and reasonable terms. In discussing her work at the CFTC, she elaborated on her support for recovery and resilience reforms and described her academic work on financial market risk and regulation. She noted the need for responsible innovation regarding the rise of fintech firms, artificial intelligence (AI), and blockchain technology. Ms. Johnson also emphasized her support for financial inclusion.

**Mr. Gordon Ito** ([testimony](#)), Member Designate, Financial Stability Oversight Council (FSOC), described his experience of managing the impact of natural disasters in Hawaii. He described his research on the availability of insurance in hard markets, and committed to ensuring the insurance market remains fair, viable, and responsive, and that companies are financially solvent.

## **DISCUSSION AND QUESTIONS**

### *Ms. Christy Goldsmith Romero*

- Chair Brown asked how the culture of the FDIC can be reformed, given what he said is the deep-rootedness of its problems. Ms. Goldsmith Romero pledged to modernize the workplace, including by adopting best practices of employee management. She confirmed that, under her oversight, behavior such as was mentioned in the Cleary-Gottlieb report would warrant multiple terminations. She committed to consolidating the agency and restraining the autonomous cultures of FDIC field offices.
- In a dialogue with Chair Brown, Ms. Goldsmith Romero elaborated that her experience at SIGTARP provided her with the same confidential supervisory privilege that other regulators hold and that her role was explicitly in monitoring failed and troubled banks. She described her experience prosecuting fraudulent bankers and borrowers in this role and went into further detail on work on systemic risk and capital liquidity issues.
- Ranking Member Scott expressed concerns that there were similar complaints of cultural issues at SIGTARP under Ms. Goldsmith Romero's tenure. Ms. Goldsmith Romero strongly

disagreed with the scope of the cultural issues' severity, noting that she did not encounter complaints of sexual harassment, discrimination, or retaliation in the independent investigation into her agency. She shared her experience in helping to shape a positive agency culture at SIGTARP.

- Ranking Member Scott asked how Ms. Goldsmith Romero intends to remove the possibility of retaliation in future employee complaints. Ms. Goldsmith Romero noted that the Equal Employment Opportunity Commission (EEOC) ultimately decides the structures and procedures of investigations to accomplish this.
- In discussion with Ranking Member Scott on her state supervisory experience, Ms. Goldsmith Romero described her work with state banking regulators, specifically touching on her work regarding Pierce Bank in Washington.
- **Sen. Tina Smith (D-MN)** acknowledged the difficulty of enacting culture change at a federal agency and asked Ms. Goldsmith Romero for her planned approach. Ms. Goldsmith Romero elaborated on her previous experience in the federal government, contrasting the workplace culture of her previous workplaces with that of the FDIC. She called for imposing the standard procedures and best practices already in place at other federal agencies.
- **Sen. Mike Rounds (R-SD)** brought up regulators' Basel III Endgame proposal and asked if Ms. Goldsmith Romero would support another period of public comment for the rulemaking. She responded that a re-proposal is "always" on the table when a proposed legislation receives a significant number of negative comments, and she conveyed that it would be her inclination to do so. However, she relayed her inability to concretely commit to a re-proposal, acknowledging that she has not been privy to changes made from the initial proposal. She pledged to enact long-lasting and thoroughly understood regulations to regulate "right" instead of "quickly."
- In conversation with Sen. Rounds, Ms. Goldsmith Romero did not commit to recusing herself from a board vote on re-proposing capital requirement rules.
- Discussing the Supreme Court's recent overturning of the *Chevron* Doctrine with Sen. Rounds, Ms. Goldsmith Romero committed to enacting the 2018 regulatory tailoring law ([S.2155](#)), and she pledged to uphold all legislation enacted by Congress. She further committed to consulting with Congress if the intent of legislation is not clear.
- Sen. Warner praised Ms. Goldsmith Romero's comments on the Basel III Endgame proposal.
- Sen. Warner asked what benchmarks can be used to determine progress in workplace reforms at the FDIC. Ms. Goldsmith Romero emphasized the need to impose a consistent reporting process. She acknowledged the greater difficulty in managing field offices, both in conduct and in the substance of work, but committed to ending the siloed agency structure. She also pledged to remain dedicated to the FDIC's mission of bank regulation while seeking to pursue cultural changes.
- Sen. Warner called for reforms to promote better utilization of the Fed's discount window. Ms. Goldsmith Romero committed to this, acknowledging the importance of liquidity in a financial crisis.
- **Sen. Thom Tillis (R-NC)** asked what the root cause of failure was for Silicon Valley Bank (SVB). Ms. Goldsmith Romero attributed the crisis to a failure of risk management by the bank and regulatory failures in terms of supervision. She did not attribute its failure to

capitalization. In further discussing the SVB failure's run-on effects, she identified a crisis of consumer confidence.

- In discussing the Fed's 2024 bank stress test with Sen. Tillis, Ms. Goldsmith Romero expressed her view that many banks are well capitalized, with minor areas of concern.
- **Sen. Elizabeth Warren (D-MA)** praised Ms. Goldsmith Romero's tenure at SIGTARP and questioned how it might compare to the work of a bank examiner at the banking regulators. Ms. Goldsmith Romero conveyed the many technical similarities in the scope of work, pointing to trending call reports and monitoring changes in Camel Ratings. She acknowledged that, at SIGTARP, she often had more time in her investigations than banking regulators but noted that they had to meet a higher evidentiary standard than bank regulators.
- In conversation with Sen. Warren, Ms. Goldsmith Romero confirmed that she has worked with hundreds of failed banks over the course of her career.
- Ms. Goldsmith Romero conveyed her view that the single report of harassment made during her tenure at SIGTARP illustrated employee confidence in the agency's reporting process, as well as the strong state of SIGTARP's culture.
- **Sen. John Kennedy (R-LA)** denounced the existing agency culture at the FDIC and committed to engaging in closer oversight of the agency moving forward.
- **Sen. Catherine Cortez Masto (D-NV)** asked how the skills Ms. Goldsmith Romero developed at SIGTARP would apply to the FDIC. Ms. Goldsmith Romero shared her expertise with capital liquidity issues, noting the interconnectivity of Wall Street and small businesses across the country.
- **Sen. Bill Hagerty (R-TN)** raised allegations that, under Ms. Goldsmith Romero's tenure, SIGTARP slowed an investigation into Detroit Mayor Mike Duggan. Ms. Goldsmith Romero forcefully denied the allegations.
- In conversation with Sen. Hagerty, Ms. Goldsmith Romero conveyed her view that the largest risk to the banking system pertains to commercial real estate, interest risks, and multi-family housing.
- Discussing the auctions of SVB and Signature Bank with Sen. Hagerty, Ms. Goldsmith Romero noted that the least-cost test is an issue that has been raised to her by multiple senators, and she committed to investigating the matter if confirmed.
- In discussing her experience with changing organizational culture with **Sen. Raphael Warnock (D-GA)**, Ms. Goldsmith Romero touted her efforts to raise standards of professionalism and respect at SIGTARP. She committed to transparency on improving standards at the FDIC.
- Touching on the impact of workplace culture on talent retention, Ms. Goldsmith Romero committed to Sen. Warnock that she would impose a trustworthy reporting process. She pledged to delegate greater autonomy to examiners in professional matters.
- **Sen. Katie Britt (R-AL)** endorsed the need for deep cultural reforms at the FDIC.
- Sen. Britt questioned how Ms. Goldsmith Romero would approach the resolution process in the event of a bank failure similar to that of SVB. Ms. Goldsmith Romero emphasized the importance of proactive data analytics to understand and manage pockets and connections of risk. In the event of an auction to resolve a bank failure, she expressed her support for an

open auction, with all interested parties participating. Ms. Goldsmith Romero suggested that she would pursue liquidation when needed to protect customer assets.

- In characterizing the SVB failure to Sen. Britt, Ms. Goldsmith Romero identified liquidity failures as one of the precipitating factors.
- Ms. Goldsmith Romero pledged to Sen. Britt that she would investigate prudential regulators' long-term debt (LTD) [proposal](#) for adherence to the 2018 regulatory tailoring law.
- In a discussion with **Sen. Laphonza Butler (D-CA)** and **Sen. Cynthia Lummis (R-WY)** on her priorities if confirmed, Ms. Goldsmith Romero pledged to: (1) send a message that harassment, retaliation, and discrimination will not be tolerated; (2) change the FDIC's litigation-averse culture by immediately addressing issues; and (3) building employee trust in reporting mechanisms.
- Sen. Lummis asked if banks should be allowed to hold digital assets. Ms. Goldsmith Romero confirmed that they currently do and said that they should be allowed to continue in this. She expressed her view that it is not the FDIC's role to instruct banks on what industries they should do business with.

#### Ms. Kristin Johnson

- Chair Brown asked Ms. Johnson what she sees as the most prominent risk to the U.S. financial system. She conveyed her view that climate risk, cyber preparedness, and AI are among the primary possible risks. Concerning bank failures, she identified the role of social media in bank runs as a potential risk worth analyzing.

#### Mr. Gordon Ito

- In conversation with Sen. Butler on capturing climate risk data, Mr. Ito communicated that this data is currently being collected on homeowners to identify stressors in the U.S. property and casualty (P&C) market.
- In response to a question from Sen. Lummis on the implementation of the International Taskforce on Climate-Related Financial Disclosures, Mr. Ito conveyed his need to improve upon his familiarity with the matter but pledged to work with the senator on it.
- Sen. Lummis asked Mr. Ito about his advocacy for states. Mr. Ito relayed that he has had a 31-year career as a state regulator, as well as his familiarity with the diversity of risks that each state must address.
- In conversation with Sen. Lummis, Mr. Ito conveyed his belief that, from his experience in Hawaii, catastrophic climate events are the greatest risk to U.S. financial stability.