

STATEMENT OF MARTIN J. GRUENBERG
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE
July 26, 2005

Chairman Shelby, Senator Sarbanes, members of the Committee, it is my great honor to appear before the Committee today as the nominee to be a Member and Vice Chairman of the Board of Directors of the Federal Deposit Insurance Corporation.

I would like to begin by thanking President Bush for nominating me and Senate Democratic Leader Harry Reid for recommending me for this position. I would also like to thank Chairman Shelby for scheduling this hearing so expeditiously, and Senator Sarbanes for his guidance and unfailing support. I would also like to thank the staff of the Banking Committee for their friendship and for the very high professional standard they set under the exceptional leadership of the Committee Staff Director Kathy Casey and the Democratic Staff Director Steve Harris.

I have been a member of the staff of the Senate Committee on Banking, Housing, and Urban Affairs since 1987. I have served as both Staff Director of the Subcommittee on International Finance and Monetary Policy and Senior Democratic Counsel. In those capacities I have had the opportunity to work on all of the major financial services legislation enacted by the Banking Committee during that period including the Competitive Equality Banking Act of 1987, the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, the Federal Deposit Insurance Corporation Improvement Act of 1991, the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, the Gramm-Leach-Bliley Act, the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001, and the Sarbanes-Oxley Act of 2002.

In the course of working on those pieces of legislation, I have had the chance to interact with the leadership and staff of the federal financial services regulatory agencies, administrations of both political parties, the financial services industry groups, and the consumer and community advocacy organizations. That experience has given me a valuable perspective on the safety and soundness, national security, and consumer protection issues confronting the FDIC. It has also given me a familiarity with the FDIC as an institution, an appreciation of its relationship with the other financial services regulators, and an understanding of the industry and consumer groups with which it works. I believe I would come well prepared to make a constructive contribution to the work of the FDIC.

The FDIC was established by Congress in 1933 in response to the banking crisis brought on by the Depression. The purpose was to restore confidence in the banking system and provide protection to depositors.

The FDIC has been remarkably effective in maintaining public confidence in our banking system even during difficult economic times. As one who worked on the staff of the Banking Committee during the savings and loan crisis in the late 1980's, I am acutely aware of the critical role the FDIC plays in preserving the safety and soundness of our banking system, and of the enormous cost that can be imposed on taxpayers and our economy when unsafe and unsound practices take place. The protection of depositors and the preservation of the safety and soundness of our banking system is clearly the central mission for which the FDIC was created.

I was also working on the staff of the Banking Committee on September 11, 2001, and during the following months when this Committee drafted and enacted the anti-money laundering title of the Patriot Act. It is clear that federal financial regulators today have a responsibility not envisioned when our federal regulatory agencies were created - to prevent the use of our financial system to finance acts of terror. It is a responsibility equal to or even exceeding the responsibility to preserve the safety and soundness of our financial system, and one to which I will give my full attention if confirmed by the Senate.

Finally, I come from an immigrant family. My parents came to the United States in 1951 after having survived the Holocaust in Europe. I keenly appreciate the economic opportunities this country makes possible for its citizens, as well as the challenges to taking advantage of those opportunities for those who are outside of the financial mainstream. Several studies have indicated that as many as ten million American families do not have an account with a federally insured financial institution. The FDIC as well as the other federal bank regulatory agencies have an important role to play in expanding access to the financial mainstream to all Americans, and ensuring that all Americans are treated fairly in our increasingly complex financial system. That is another area to which I would hope to devote attention if confirmed by the Senate.

Mr. Chairman, let me conclude by thanking you and Senator Sarbanes again for the privilege of working on the extraordinary staff of this Committee where I have spent most of my professional life. It has been a remarkably satisfying and rewarding experience. I believe it has prepared me well to carry out the responsibilities of FDIC Board Member and Vice Chairman if confirmed by the Senate. Thank you, and I look forward to answering your questions.