S. HRG. 112–321

NOMINATIONS OF: MARTIN J. GRUENBERG, THOMAS J. CURRY, AND S. ROY WOODALL

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

ON

NOMINATIONS OF:

MARTIN J. GRUENBERG, OF MARYLAND, TO BE CHAIRPERSON, BOARD OF DIRECTORS, AND A MEMBER, BOARD OF DIRECTORS, FEDERAL DEPOSIT INSURANCE CORPORATION

THOMAS J. CURRY, OF MASSACHUSETTS, TO BE COMPTROLLER OF THE CURRENCY

S. ROY WOODALL, OF KENTUCKY, TO BE A MEMBER, FINANCIAL STABILITY OVERSIGHT COUNCIL

JULY 26, 2011

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C O N T E N T S

TUESDAY, JULY 26, 2011

WITNESSES

NOMINEES

NOMINATIONS OF:

MARTIN J. GRUENBERG, OF MARYLAND, TO BE CHAIRPERSON AND A MEMBER, BOARD OF DIRECTORS, FEDERAL DEPOSIT INSURANCE CORPORATION;

THOMAS J. CURRY, OF MASSACHUSETTS, TO BE COMPTROLLER OF THE CURRENCY; AND

S. ROY WOODALL, OF KENTUCKY, TO BE A MEMBER, FINANCIAL STABILITY OVERSIGHT COUNCIL

TUESDAY, JULY 26, 2011

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 10:04 a.m., in room SD–538, Dirksen Senate Office Building, Hon. Tim Johnson, Chairman of the Committee, presiding.

OPENING STATEMENT OF CHAIRMAN TIM JOHNSON

Chairman JOHNSON. Good morning. I call this hearing to order. Thanks to all of our nominees for joining us here today. I also want to extend a warm welcome to our witnesses' family and friends who are here with us.

Today we consider three nominees that will play a key role in the continued safety and soundness of our financial system as well as protecting consumers.

We need strong leadership at all our financial regulators, and I am glad that the President has sent us three well-qualified individuals to fill openings at the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and on the Financial Stability Oversight Council. Especially at this point in our economic and financial recovery, these are extremely important positions to be filled.

Under the Wall Street Reform Act, the FDIC was given new authorities that put an end to too big to fail by allowing the orderly resolution of large, complex financial institutions. Those authorities are a key part of making sure taxpayers are never again forced to bail out Wall Street, and it is vital that the FDIC have a Senate-confirmed Chairman as it works to implement these rules.

Both the FDIC and OCC play crucial roles in our Nation's ongoing housing recovery. Recent reports exposing abusive practices by mortgage servicers and banks—from excessive fees to fraudulent foreclosures—highlight the importance of continued oversight and regulation of the housing sector.

The OCC and the FDIC also help ensure that consumers and small businesses continue to have access to credit. From maintaining consumers' access to a stable mortgage market, to protecting small businesses' access to capital to help create jobs, to promoting small community banks' ability to provide credit to consumers in areas where big banks simply will not go, both these agencies have their work cut out for them.

I will look to our nominees to place a priority on all these issues at their agencies.

Last, the Financial Stability Oversight Council is a key pillar of the Wall Street Reform Act. It was created to identify systemic risks posed by large, complex financial institutions before they threaten the stability of our economy. I am pleased to consider the nomination of Mr. Woodall to be the voting insurance expert on the FSOC. AIG showed us how interconnected the insurance industry is with the health of our economy, and I am sure Mr. Woodall's contribution as an FSOC member will be invaluable.

The stability of our financial system, and of our economy, is vitally important, and so I hope we can move expeditiously on these nominations.

I now turn to Senator Shelby for any opening remarks he may have. Senator Shelby.

STATEMENT OF SENATOR RICHARD C. SHELBY

Senator SHELBY. Thank you, Mr. Chairman.

Today the Committee will consider several very important nominations, as the Chairman has said. Martin Gruenberg has been nominated to serve as Chairman of the Federal Deposit Insurance Corporation. He is no stranger to the Banking Committee, having served right here with us on the staff for over 19 years. For the past 6 years, he serve as Vice Chair of the Federal Deposit Insurance Corporation.

As Chairman, he would oversee the FDIC at a challenging time. Due to the financial crisis and the weak economy, bank failures continue at a steady pace. It will be no easy task for the FDIC to resolve these failed banks in a manner that protects the Deposit Insurance Fund.

The FDIC must also decide how it will undertake the new regulatory responsibilities that it acquired under the Dodd-Frank Act. I hope to hear how Mr. Gruenberg would approach both of these tasks. In particular, I would like to learn his views on whether the FDIC's new resolution authority will be sufficient to end too big to fail and prevent further Government bailouts.

Also before us today is Thomas Curry, who has been nominated to be the Comptroller of the Currency. As the regulator of our largest banks, the Comptroller plays a key role in ensuring the safety and soundness of our whole banking system. Accordingly, I hope to hear today Mr. Curry's views on capital requirements. One of the lessons of the financial crisis should be the importance of maintaining strong capital requirements, especially for large global banks.

Finally, Roy Woodall has been nominated to served as a member of the Financial Stability Oversight Council. He will be a sole member on the Council specializing in insurance issues and the first person to hold this position. He will be working on a Council that includes the Treasury Secretary, the Federal Reserve Chairman, and all of the heads of the major financial regulatory agencies. Since Mr. Woodall will not be supported by the staff of a financial regulator, unlike the other members of the Council, I am interested in hearing how he believes he can most effectively express his views and help the Council monitor systemic risk.

The Federal Government has historically paid little attention to insurance. The failure of AIG, however, demonstrated that the Federal Government needs to do a far better job monitoring risk in this critical facet of our financial markets. Hopefully Mr. Woodall can improve the Federal Government's understanding of the risk presented by insurers and in so doing help prevent another AIG.

Mr. Chairman, I look forward to hearing from the nominees here this morning.

Chairman JOHNSON. Are there any other Members who would like to make any remarks?

[No response.]

Chairman JOHNSON. Now for a brief introduction of our three nominees. Senator Paul Sarbanes, former Chairman of the Senate Banking Committee, will introduce Martin Gruenberg. Senator Sarbanes.

STATEMENT OF PAUL S. SARBANES, A FORMER U.S. SENATOR FROM THE STATE OF MARYLAND

Senator SARBANES. Chairman Johnson, thank you very much. Senator Shelby, Senator Corker, Senator Toomey, Senator Moran, I am pleased to be back in the Committee room, and I am mindful of the Chairman's gentle admonition when he introduced me when he said "brief introduction."

[Laughter.]

Senator SARBANES. I will do my best to abide by that. It is hard for a former Senator when he gets the microphone to do that.

I am very pleased to have the opportunity to come before the Committee today to introduce the President's nominee for Chairman of the FDIC, Marty Gruenberg. Marty worked on the staff of the Senate Banking Committee for almost two decades, both as staff director of the Subcommittee on International Finance and Monetary Policy and as senior counsel, and I think all would agree made an extraordinary contribution to the work of the Committee, and I should take a moment just to recognize all staff to the Committee who do a terrific job day in and day out. I have enormous respect and admiration for those who staff the Committee, and this Committee in particular has had very high standards over the years.

During his time on the Committee, he was involved in all of the major legislation enacted by the Banking Committee, including the Financial Institutions Reform and Recovery Act, the Federal Deposit Insurance Corporation Improvement Act—highly relevant to this nomination—Gramm-Leach-Bliley, Sarbanes-Oxley, and so forth.

In August of 2005, he was appointed by President George W. Bush to the FDIC as Vice Chairman and, of course, was recommended out by this Committee and confirmed by the Senate.

As FDIC Vice Chairman, Marty was closely involved in all of its efforts to respond to the financial crises we have encountered. He actually served as Acting Chairman of the FDIC for 8 months, from November of 2005, shortly after he went on the board, until June of 2006 because Chairman Don Powell, a close friend of President Bush's, left to go coordinate the recovery effort in the gulf coast in the aftermath of Hurricane Katrina.

Actually, 4 months after he left the Committee, he was Acting Chairman of the FDIC. I called him up and said, "Marty, I read in the American Banker this morning that you are the Acting Chairman of the FDIC in 4 months' time." So he gave a kind of embarrassed laugh, and he said, "Yes, that is right." I said, "Marty, is this a great country or what?"

[Laughter.]

Senator SARBANES. I simply want to close with this observation. Given his experience on the Banking Committee and at the FDIC, Marty is extremely well prepared to serve as its Chairman. He would bring right from the beginning stability and continuity to the work of the FDIC, which, as both the Chairman and the Ranking Member indicated, is a very important consideration. I simply say to the Members of the Committee I know Marty to be a person of exceptional ability and character, and I very strongly commend him to you for this position.

Thank you all very much.

Chairman JOHNSON. Thank you, Senator Sarbanes.

I will now introduce Thomas Curry. Thomas Curry took office on January 12, 2004, as a member of the Board of Directors of the FDIC for a 6-year term. Mr. Curry also serves as the Chairman of the NeighborWorks America Board of Directors. Prior to joining the FDIC's Board of Directors, Mr. Curry served five Massachusetts Governors as the Commonwealth's Commissioner of Banks. He also served as the Chairman of the Conference of State Bank Supervisors from 2000 to 2001.

Senator Ben Nelson will now introduce Roy Woodall.

STATEMENT OF BEN NELSON, A U.S. SENATOR FROM THE STATE OF NEBRASKA

Senator NELSON. Good morning, Mr. Chairman and Ranking Member Shelby and Members of the Committee. Thank you for conducting this hearing today and for giving me the opportunity to offer a few comments on an outstanding nominee, Roy Woodall, who has been nominated to be a member of the Financial Stability Oversight Council.

When Roy asked me to be here with him today to introduce him, I said I would be honored to do so because Roy and I go back a ways, and then some. In fact, I first got to know Roy in the year "The Sound of Music" won the Academy Award for Best Picture and the first TV episode of "Star Trek" was broadcast. You know what it cost to send a letter first class then? Five cents.

Now, that might seem like a hundred years ago. Not quite, but it was 45 years ago. You see, I first met Roy in 1966 when he was appointed Commissioner of the Kentucky Insurance Department and I was working in the Nebraska Department of Insurance at the time. Over these years I have followed his career closely. We have kept in touch, and we have many common friends.

As we all know, the Dodd-Frank law calls for appointment of "an independent insurance expert" to make sure that the insurance viewpoint is acknowledged in the Financial Stability Oversight Council's work. I can think of no one better qualified to be that independent insurance expert than Roy Woodall. He is an outstanding leader who possesses a sharp mind, has the background and knowledge needed to do the job well. Equally important, he has the wisdom, too.

He brings an invaluable perspective gained through a half-century of experience in insurance and insurance regulation. Roy Woodall has worked at the State level as an insurance attorney and helped rehabilitate troubled insurance companies. He has been a national leader serving as the president of the National Association of Life Companies and after a merger served as a senior official in the American Council of Life Insurers, and in more recent years as a senior insurance analyst for the Department of Treasury.

Mr. Chairman, I ask that the Committee work diligently and quickly to work toward the confirmation of Roy Woodall. He will fulfill the duties of this position with skill, wisdom, integrity, and, I believe, great success.

Thank you, Mr. Chairman.

Chairman JOHNSON. Thank you, Senator Nelson. I will look forward to hearing the nominee's testimony.

Will the nominees please rise and raise your right hand? Do you swear or affirm that the testimony that you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. GRUENBERG. I do.

Mr. CURRY. I do.

Mr. WOODALL. I do.

Chairman JOHNSON. Do you agree to appear and testify before any duly constituted committee of the Senate?

Mr. GRUENBERG. I do.

Mr. CURRY. I do.

Mr. WOODALL. I do.

Chairman JOHNSON. Please be seated.

Please be assured that your written statement will be part of the record. Please also note that Members of this Committee may submit written questions to you for the record, and you should respond to these questions promptly in order for the Committee to proceed on your nomination.

I invite all the witnesses to introduce your family and friends in attendance before beginning your statement.

Mr. Gruenberg, please begin.

STATEMENT OF MARTIN J. GRUENBERG, OF MARYLAND, NOMINATED TO BE CHAIRPERSON AND A MEMBER, BOARD OF DIRECTORS, FEDERAL DEPOSIT INSURANCE CORPORATION

Mr. GRUENBERG. Thank you very much, Mr. Chairman. If I may, I would like to introduce my wife, Donna, who is sitting right behind me here.

Chairman Johnson, Ranking Member Shelby, Members of the Committee, it is my privilege to appear before you as the President's nominee to serve as Chairman and Member of the Board of the Federal Deposit Insurance Corporation.

I would like to thank President Obama for the honor of this nomination and Chairman Johnson and Ranking Member Shelby for scheduling this confirmation hearing.

I have had the privilege of serving as Vice Chairman and Board Member of the FDIC since 2005, having been nominated by President Bush and confirmed by the Senate. From November 2005 to June 2006, as Senator Sarbanes indicated, I served as Acting Chairman following the departure of former Chairman Donald Powell. I am now again serving as Acting Chairman following the recent departure of former Chairman Sheila Bair.

Prior to joining the FDIC, as you know, I worked for Senator Sarbanes on the staff of the Senate Committee on Banking, Housing, and Urban Affairs from January 1987 to August 2005. During that period I had the opportunity to work on the major legislation acted on by the Committee including FIRREA, FDICIA, the Riegle-Neal Interstate Banking Act, the Gramm-Leach-Bliley Act, and the Sarbanes-Oxley Act.

In addition to working on some of the key pieces of legislation governing the operations of the FDIC, I have had the opportunity to serve on the Board as it responded to the most severe financial crisis in the United States since the 1930s. I think it is fair to say that the deposit insurance, resolution, and supervision functions of the FDIC proved critical to maintaining public confidence and financial stability during the crisis.

The experiences of serving on the staff of the Senate Banking Committee and on the Board of the FDIC have been good preparation to serve as Acting Chairman and, if confirmed, Chairman of the FDIC during what remains a challenging period ahead. If I may say, there are some positive signs. Although over 880 insured institutions remain on the FDIC's problem bank list, we believe that number may have peaked and may start heading down in the near future. Similarly, although the FDIC closed 157 failed banks last year, we are projecting a substantially smaller number of bank failures this year. Fifty-eight banks have failed thus far this year. That is compared to 103 at this time last year. The FDIC's Deposit Insurance Fund, which had a negative balance as a result of the costs of the bank failures, actually moved into positive territory at the end of June.

In terms of priorities, the FDIC will have significant new responsibilities to implement under the Dodd-Frank Act for the resolution of systemically significant financial institutions. As the primary Federal regulator of the majority of our country's community banks, the FDIC carries a particular responsibility for the future of this crucial segment of our financial industry. Finally, the FDIC will also continue to play a leading role in expanding access to insured financial institutions to all Americans as a vehicle for economic opportunity and financial security.

Mr. Chairman and Ranking Member Shelby, it has been a great privilege for me to serve on the Board of the FDIC for almost 6 years now. I have come to have a deep respect for the professionalism and dedication of the staff of the FDIC who have performed with such distinction during this recent difficult period. I believe that the FDIC, which celebrated its 75th anniversary just 3 years ago, has proven itself to be one of our country's great public institutions. It is certainly the greatest honor of my career to have been nominated by the President to serve as Chairman of the FDIC and to be considered by this Committee for confirmation.

Thank you very much, and I will be pleased to respond to your questions.

Chairman JOHNSON. Thank you, Mr. Gruenberg.

Mr. Curry, please begin.

STATEMENT OF THOMAS J. CURRY, OF MASSACHUSETTS, NOMINATED TO BE COMPTROLLER OF THE CURRENCY

Mr. CURRY. Chairman Johnson, Ranking Member Shelby, and Members of the Committee, thank you for this opportunity to appear before you today. I am honored that President Obama has nominated me to be Comptroller of the Currency.

Eight years ago, I had the honor to be nominated by President Bush and to come before this Committee for confirmation hearings to be a Board Member of the Federal Deposit Insurance Corporation. It has been a tremendous privilege to serve at the FDIC during one of the most tumultuous economic periods in our Nation's history. I take great pride in the work of the FDIC and its very dedicated staff who maintained the American people's trust in the FDIC deposit insurance guarantee and the fundamental safety and soundness of our financial system. Independent and professional bank regulatory agencies like the FDIC and the Office of the Comptroller of the Currency are one of the strengths of our financial system.

Prior to my Federal service, I served five successive Massachusetts Governors as the Commonwealth's Commissioner of Banks for approximately 10 years and served for 7 years as a senior State bank regulatory official and attorney. My State bank regulatory experience also coincided with the New England banking crisis of the late 1980s and early 1990s. During this period of regional economic disruption and subsequent recovery, I gained invaluable experience and perspective which served me well as an FDIC Board Member.

My 25 years of experience as a Federal and State bank supervisor has underscored the fundamental importance of a safe and sound banking industry to our economy, particularly in times of stress. Economic recovery and prosperity requires a healthy, independently regulated banking system that has both the financial capacity and confidence to extend credit to individuals and businesses.

In sum, I believe my public service career has given me invaluable financial safety and soundness and public protection regulatory experience and judgment to capably serve as the Comptroller of the Currency, if confirmed.

It has been the greatest professional honor of my life to serve my country during this difficult time. Should the Senate choose to confirm me, I look forward to the opportunity to lead the team at the Office of Comptroller of the Currency as it serves the individuals, businesses, and communities that benefit from a safe, sound, and fair national bank system.

Thank you, Chairman Johnson and Ranking Member Shelby, for this opportunity, and I look forward to your questions.

Chairman JOHNSON. Thank you, Mr. Curry.

Mr. Woodall, please begin.

STATEMENT OF S. ROY WOODALL, OF KENTUCKY, NOMINATED TO BE A MEMBER, FINANCIAL STABILITY OVERSIGHT COUNCIL

Mr. WOODALL. Chairman Johnson, Ranking Member Shelby, and distinguished Members of the Committee, it is my honor to appear before you today, and I am also deeply honored to be President Obama's nominee for this position. And I would also like to thank you and your staff for the time you have spent with me, helping to move my nomination forward.

With me today is my wife, Jane, my best friend and life partner of 53 years, along with our four sons and their respective families. Jane is a former English teacher and school principal and now serves as the General Manager of the Smithsonian Chamber Music Society at the National Museum of American History. Our sons, in chronological order: Sam, the oldest, is an attorney in Washington; Brock is a hardwood flooring contractor in Georgia; Claiborne works with the Virginia Natural Heritage Program in Abingdon, Virginia; and Garner, our youngest, is an intelligence analyst with the FBI. When we get together with our daughters-in-law and nine grandchildren, there are 19 of us, and I think most of them are here today filling up this space.

If approved by this Committee and confirmed by the Senate, I know that the constant support and guidance of this wonderful family will continue to enlighten my thoughts and actions as I carry out the duties as a member of the Financial Stability Oversight Council, better known as FSOC.

As stated earlier, FSOC was created by the Dodd-Frank Wall Street Reform and Consumer Protection Act to identify risk to U.S. financial stability, promote market discipline, and respond to emerging threats. The FSOC is comprised of existing Federal financial services regulators as voting members, and both Marty and Tom would be serving on that as heads of the two agencies. However, since there is no existing Federal financial services regulator in the insurance field, the bill provided for a Presidential appointment of an independent person with insurance expertise in order to assure that insurance, which represents a substantial portion of the United States financial system, is appropriately recognized and accommodated within the new framework.

I frankly know of no one who could technically qualify as an undeniable "expert" in all aspects of the highly diversified and constantly changing insurance industry, as well as its State-based regulatory regime and its international position. However, if I am confirmed, I do believe that my half-century of experience in insurance would provide FSOC with the insurance perspective that was envisioned by the Dodd-Frank Act.

Insurance is in my blood. My grandfather, C.A. Woodall, started selling insurance from a mule-drawn wagon in 1904 and continued to be a leading insurance producer in Princeton and western Kentucky for over 50 years. My father, Roy Woodall, Sr., started his own general agency in Paducah, Kentucky, in the 1920s and ran it until he retired in 1973.

I was first introduced to the regulatory side of insurance as a law student in the summer of 1961 at the University of Kentucky when I was an intern at the Kentucky Insurance Department. After getting my law degree in 1962, I continued to work as an attorney for the department, became general counsel in 1964, and was appointed commissioner in 1966. After the completion of my term, I practiced law with a firm in Louisville, Kentucky, until 1972, at which time I became a court-appointed rehabilitator of three publicly owned life insurance companies that had been seized by the State. The rehabilitation was concluded successfully in 1976, and from then until 1980 I worked as the assistant to the president of a family owned insurance company in Louisville, Kentucky. At that time I was selected to become the President of an Atlanta-based insurance trade association, the National Association of Life Companies, which merged in 1993 with the American Council of Life Insurers, or ACLI, as many of you know it. Following the merger I served ACLI as managing director of issues and chief counsel for State relations until my retirement in 1999. I then became Of Counsel to an Atlanta-based law firm and was pretty well set on that type of work for the rest of my life, but then 9/11 hit.

As with many others I know, the terrorist attacks of 9/11 changed the focus of my life and my career. I became an insurance consultant to the Congressional Research Service as it addressed the needs of Congress in developing the Terrorism Risk Insurance Act, or TRIA. Following the passage of TRIA, I was asked by Treasury to assist in its implementation of the new law. I continued to serve as Treasury's senior insurance policy analyst for 8 years, monitoring all types of insurance issues and the State insurance regulatory system.

In all of these insurance-related areas, my experiences taught me lasting lessons about the various aspects of insurance. Also, I believe that those experiences qualify me to serve in the position to which I have been nominated. If confirmed by the Senate, I pledge to work closely with the other members of FSOC, and to continue expanding my knowledge of, fascination with, and passion for the complex world of insurance and the substantial role that it plays in our financial system.

Thank you again for opportunity to appear before you today, and I look forward to answering any questions that you might have.

Chairman JOHNSON. Thank you, Mr. Woodall.

We will now begin the question-and-answer period. Will the clerk please put 5 minutes on the clock for Members' questions?

Mr. Gruenberg, can you tell us how the new Office of Complex Financial Institutions positions the FDIC to address its new responsibilities?

Mr. GRUENBERG. Yes, Mr. Chairman. The key new responsibility that the FDIC has under the Dodd-Frank Act is responsibility for the Title II authorities for the orderly liquidation of systemically significant financial companies. In addition, we have a responsibility under Title I for the resolution plans that systemically significant companies will be required to prepare.

These are really new responsibilities and authorities created under this Act and implementing them in a credible way is really the major new challenge for the agency. In fact, in some sense, it is a major new challenge for any agency of any financial regulator around the world. And to undertake this responsibility, as you indicate, we have established a new Office of Complex Financial Institutions which will have three key responsibilities.

First, there will be a group within that office responsible for monitoring the condition of the large systemically significant companies from the standpoint of resolvability.

Second, there will be a group responsible for overseeing the development of the resolution plans that will be required of all systemically significant companies under the Act. That is a joint authority that the FDIC shares under the law with the Federal Reserve and we are in the process of developing a rule for the implementation of that responsibility. Those resolution plans have to meet the standards of the Bankruptcy Code. In addition to the plans that the institutions will prepare, the FDIC will be preparing our own plans for the resolution of these companies using our Title II authorities.

And finally, the third group within this office will be responsible for dealing with the cross-border relations with the foreign supervisors for the international operations of these systemic companies. Many of them, as you know, have extensive foreign activities and an effective resolution of these companies really will require cooperation and coordination across borders.

This is our major new challenge. We are in the process of setting this office up. We expect it to be fully operational by the end of this year. And in some sense, from an operational side, it is our top priority in terms of the implementation of the legislation.

Chairman JOHNSON. Mr. Curry, as Comptroller, you will be expected to be independent, exercise independent judgment, and act independently from the Treasury Department. Are you prepared to act independently and use your own judgment?

Mr. CURRY. Senator, yes, I believe so. I have, I think, a 25-year history of acting independently as both a member of the FDIC, an independent agency of the United States, and as Bank Commissioner for the Commonwealth of Massachusetts. As Bank Commissioner, in particular, you are called upon often to make decisions that affect individuals, institutions, and communities. Many times, those decisions are unpopular. However, I believe in my past history and experience, I have demonstrated the independence to fairly and reasonably apply the rules and laws that govern bank regulation.

Chairman JOHNSON. Mr. Woodall, as the FSOC works to complete its rulemaking to designate Systemically Important Financial Institutions, or SIFIs, you will be the lone insurance voice voting on this rule. How will you approach this crisis, and do you think insurance companies should be designated?

Mr. WOODALL. Well, as far as the first part, fortunately, there are two other insurance members that are members of FSOC, even though they are not voting members. One is the Director of the Federal Insurance Office that was created by the Dodd-Frank Act and the other one is a State regulator, John Huff from Missouri, who represents the State regulators. So there are really three of us that would be working on insurance issues, but the appointed position that I have been nominated for is the only voting member. Certainly, I will be working in cooperation with the other two members and with all members of FSOC in trying to bring the insurance perspective.

Now, as far as the question as to whether insurers are systemic, I think that has to be done on a case-by-case basis and looking under the hood of each insurance company to see whether or not they are systemic. But I think, generally, that most people agree and I agree that if a company follows a traditional core model of insurance products and insurance practices, they are likely not to be systemic. However, you do not know that until you see what sort of products they are selling, what sort of interconnectedness there might be with either other insurance companies or noninsurance companies or banking institutions, and I think that is why it does have to be done on a case-by-case basis.

Chairman JOHNSON. Senator Shelby.

Senator SHELBY. Thank you, Mr. Chairman.

Basel III—Mr. Gruenberg and Mr. Curry, both the FDIC Chairman and the Comptroller, as you well know, play important roles in ensuring that our Nation's banks hold sufficient capital to guard against another financial crisis. Recently, the Basel Committee reached an agreement on the new Basel III capital accords with the aim to increase capital requirements for large international banks. Mr. Gruenberg and Mr. Curry, do you support higher capital requirements for large financial institutions, and what is your assessment of the new Basel III capital accords? Will they work and will they be sufficient? Mr. Gruenberg.

Mr. GRUENBERG. Thank you, Senator Shelby. We do support the new Basel III agreements. The FDIC is a member of the U.S. delegation to the Basel Committee. I have participated as the FDIC's representative at Basel Committee meetings. And I think we view the Basel III agreement as a step forward to strengthen capital both in the United States and, quite importantly, internationally.

Historically, U.S. institutions have generally had higher levels of capital than some of the large foreign financial institutions and Basel III will have the effect of both strengthening the quality and amount of capital under the U.S. standards and, importantly, apply those standards internationally for both the leverage ratio and a risk-based capital standard. So from both a domestic standpoint and an international standpoint, it seems to us to be a significant step forward.

Senator SHELBY. Mr. Curry.

Mr. CURRY. Senator, I would agree with Vice Chairman Gruenberg that capital is critically important to the health of our financial system. At the FDIC, I think we have a demonstrated position of looking for both higher quantity and quality of capital. I would also offer that this past crisis and earlier crises have demonstrated that when institutions or the banking system needs capital is when it is the hardest to obtain it. So having strong capital levels in place in advance of an economic downturn is critically important.

With respect to Basel III, Basel III, I think, achieves those important goals of stronger capital on an international basis and will work to potentially eliminate any unlevel playing field between domestic banking institutions and foreign institutions.

Senator SHELBY. Preemption language—I will address this to Mr. Curry. There is an ongoing debate on whether the Dodd-Frank Act changed the standard for determining when national banks are subject to State law. The OCC and the authors of the preemption amendment in Dodd-Frank have taken one position. The Treasury Department has disagreed with that view. Mr. Curry, what are your views about how the Dodd-Frank preemption provisions have been interpreted by the OCC and the Treasury?

Mr. CURRY. I understand that the actual language of Dodd-Frank is a matter of some controversy between interested parties. Generally speaking, I think the principle is clear from the Constitution that the Federal law supercedes conflicting State law and that is an important concept to remember.

Senator SHELBY. Is that the position that the Comptroller's Office takes?

Mr. CURRY. I believe so. It is a Federal agency——

Senator SHELBY. Are you aware of the position that the Treasury Department is taking?

Mr. CURRY. I understand that the Treasury Department did file a public comment on the OCC's position. I think that having a comment on the record is probably the most appropriate way to express those views. Ultimately, I think it is incumbent upon the OCC to maintain its independence as a bank regulatory agency and to remain free from any undue influence from any external source.

Senator SHELBY. Mr. Gruenberg, a report by the Government Accountability Office—we call it GAO, as you know—concluded that prompt corrective action has not prevented sizable losses to the Deposit Insurance Fund. The GAO found that every bank that underwent prompt corrective action because of capital deficiencies and failed since 2008 has produced a loss to the Deposit Insurance Fund. The GAO also found that the, and I will quote, "the presence and timeliness of enforcement actions were inconsistent." Their words. For example, more than 80 percent of the banks that failed were on the regulatory watch list that you alluded to earlier for more than a year on average before failing.

Do you agree with GAO's findings, and what steps would you take as Chairman to improve prompt corrective action and protect the Deposit Insurance Fund? What would you do differently than we have been doing?

Mr. GRUENBERG. Thank you, Senator. I do agree with the findings of the GAO report. I think one of the lessons we have learned from this crisis is that capital tends to be a lagging indicator and capital is the trigger for prompt corrective action, so that during the course of this crisis, to the extent we are relying on capital as an early warning device for problems at institutions, it did not prove as effective as we would have liked.

I should point out that PCA still proved important because it established, once an institution reaches that critically undercapitalized level of 2 percent, it provides for certainty in terms of the resolution process, which is quite important. But in terms of an early warning indicator, it really has not proven as effective as it could have been.

I should note that for each failing institution, the Inspector General of the FDIC has to prepare a report on the causes of the failure—these are called material loss reviews—and our Inspector General in the course of conducting these reviews identified three key factors common to failing institutions. One was rapid growth. Two was concentration in commercial real estate. And three was reliance on broker deposits and other volatile deposits.

I actually chair the Audit Committee at the FDIC, which oversees our IG. We have asked the IG to prepare a set of recommendations for us based on these material loss reviews as to how prompt corrective action could be improved and we expect to receive that report in the near future. We will be glad to share the results of that report.

Senator SHELBY. With the Committee? Thank you. Thank you, Mr. Chairman.

Chairman JOHNSON. Senator Reed.

Senator REED. Thank you very much, Mr. Chairman.

Mr. Gruenberg, Chairman Bernanke earlier this—a few months ago, actually, or weeks—said that the Federal Reserve is committed to rulemaking on resolution authority of the so-called living wills for large financial institutions by late this summer. What is the FDIC's schedule with respect to this rulemaking?

Mr. GRUENBERG. Late summer, Senator. We have been working in tandem with the Federal Reserve. It has actually been a very cooperative process. We are really near—we issued a joint rule earlier this year. I think we are near completion of the final rule and we do expect to issue the final rule in August.

Senator REED. Very good. Thank you so much.

You are the primary regulator of community banks and they are vital to our economy. They usually are the ones that are doing the most aggressive lending to small business and have the best record in terms of lending to small business and that creates jobs.

Your view of the impact of Dodd-Frank on the community banks and community banking. Many of the provisions of Dodd-Frank were specifically excluded from application to small banks given that, one, they were not a major cause, and two, this dynamic contribution they make to local economies. But can you give me a brief sort of view of where you think they stand at the moment.

Mr. GRUENBERG. Yes, Senator. As you note, the FDIC is the primary Federal regulator of the majority of community banks in the United States, so I think it is fair to say we bear a particular responsibility for the future of that important segment of our financial industry. I would note community banks account for about 11 percent of the banking assets in the United States but account for nearly 40 percent of the small business lending done by all insured institutions in the U.S. So they really occupy a very important niche in our financial system.

On balance, I believe they have come through this episode reasonably well. They have been impacted. Of the 380 or so institutions that have failed in the course of this episode, over 300 of them have been institutions with assets less than $1 billion. But it is worth noting that even with that, we still have nearly 7,000 community banks in the United States and most of them have worked their way through this difficult period in good shape and are really positioned now to continue to play their important role.

In regard to Dodd-Frank, you noted accurately that in many of the provisions that are applied to the larger institutions, smaller institutions are excluded, and I would note in particular the deposit insurance provisions of Dodd-Frank, on balance, I think, are actually helpful to community banks. The increase in the limit on deposit insurance to $250,000 is something that community banks have sought and has proven to be during the course of this crisis a valuable source of attracting liquidity to community banks, which proved quite stabilizing.

In addition, the Act changes the assessment base on which deposit insurance premiums are charged from deposits to assets. The consequence of that is actually to shift the burden of funding deposit insurance more to institutions with assets over $100 billion, and for institutions with assets under $10 billion, they will actually, in the aggregate, receive a 30 percent reduction in their deposit insurance premiums under the Act. So it will mean real money for community banks and should be helpful to them.

So, on balance, particularly those provisions, I think were positive.

Senator REED. Thank you very much.

Mr. Curry, just first a quick comment. You have served at the State level under a number of Governors—Governor Dukakis, Governor Weld, Governor Celluci, Governor Swift, and Governor Romney, both Republicans and Democrats. So you have been essentially recognized from both sides of the aisle as a consummate professional and I think that is a quality that we are looking for in the next OCC Director—Comptroller.

The other factor, too, is I think you bring a valuable perspective to the efforts because a lot of the issues, as has been suggested by some of the questions, involves this constant sort of discussion of and rebalancing of the lines between appropriate national authority and local State banking regulations, local State banking institutions.

So I am particularly pleased that you have been nominated and I wish you well. I also, too, want to join Senator Shelby, who has been one of the most vigorous advocates for strong capital rules, to reinforce his point about the need for the U.S., we hope—I hope—the OCC Comptroller, to have significant capital in place.

Mr. CURRY. Thank you, Senator.

Senator REED. And since my time has expired, you are going to provide a valuable sort of expertise because the world of insurance is—it is not a Federal world here in the United States, but internationally, particularly. I note that in Great Britain, 30 percent of the assets in their financial system are held by insurance companies, not by financial institutions, or banks, rather, but 15 percent in the United States. So both looking within the United States and looking internationally, your views are going to be extremely important, and once again, I would hope that we will move quickly to confirm you and get you on the FSOC. Thank you for your service. Thank you.

Chairman JOHNSON. Senator Corker.

Senator CORKER. Thank you, Mr. Chairman, and I thank all of you for being here today and being willing to serve the way that you have offered yourself, and I thank your families for being here. I know you certainly will not receive many tough questions with all of these family members in the audience, so we are glad they are here and we are glad to see all of them.

I will start with you, Mr. Vice Chairman, soon to be Chairman. When Dodd-Frank was being debated and discussed, the previous Chairman did an outstanding job of convincing the majority of members of the Senate and the House to turn you into a super-entity with orderly liquidation abilities. As we were leading up to that, many of the rating agencies began saying that because they really thought that too big to fail was going to end, they were thinking about downgrading these institutions.

Now that the law is law and people have interpreted what it really says, the big four institutions in our country are receiving disproportionately higher ratings and benefits. So it is evident that most of the world does not believe that we have ended too big to fail and I am wondering if there is anything that you are going to come see us about to change orderly liquidation so that people know that, in fact, we are in this country going to end the prospect of any entity being too big to fail.

Mr. GRUENBERG. Thank you, Senator. That is really a critically important question, if I may say. It is our view that the authorities provided under Title II and Title I of the new law really are sufficient to deal with the issue. The challenge to us and what I think we are going to have to demonstrate with credibility to the financial markets is our capability to implement the authorities that we have been given, and that was really the basis of my response to the question that Chairman Johnson asked earlier. We have to demonstrate the capability to close a systemically significant financial company without creating a significant disruption to the financial system as a whole. There is no greater priority for us.

It does not surprise me that much that the markets are in some sense taking a "show me" attitude. Simply providing an authority is not a demonstration of the capability and willingness to carry it out. And I think the challenge to the FDIC, in particular, will be to demonstrate both that we have the capacity and the willingness to implement it.

Senator CORKER. Do you think the Bankruptcy Code ought to be tremendously expanded so that people know that unless there is some really unusual situation, there is a better vehicle for institutions through bankruptcy?

Mr. GRUENBERG. I think the way the law is structured, the premise is that the Bankruptcy Code is still the first recourse for dealing with the failure of a financial company. It is only in the circumstance—and frankly, I hope and expect it to be rare—where a determination is made that, in effect, if you are going through the bankruptcy process, it could present issues for the system as a whole, in which case you would turn as a final resort to the orderly liquidation authority under Title II. I think it is a last measure to avoid a disruption to the system, and I think that is as it should be.

Senator CORKER. Would you be willing to work with us to tighten up orderly liquidation and to make sure that these large institutions are not enjoying significant benefits because people believe that they are too big to fail, and to work with us on streamlining the Bankruptcy Code so that it would actually work better for these large highly complex institutions?

Mr. GRUENBERG. Yes, sir.

Senator CORKER. OK. Thank you. We talked a little bit in our office. I think you are aware that one of the biggest complaints community bankers have across this country is the lack of consistency with the examiners in charge. You know it is a problem. So a big part of your problem, and I think you know this, is going to be to get the culture better as it relates to that issue, not in any way criticizing the former Chairman. We had these same conversations. But the examiners in charge, to make sure their careers are not interrupted by making mistakes, are no doubt being overly zealous and really creating a self-fulfilling prophecy around our country. I think you are aware of that and I hope you will work to end that.

Mr. GRUENBERG. Senator, I will have no higher priority than the community bank responsibilities, and we will work with our examiners to assure that examinations are done in as balanced and fair a way as possible.

Senator CORKER. I just have a few seconds. To you, Mr. Curry, I think we all are concerned about this Federal preemption issue. I know that you were State Commissioner of Banking for Massachusetts back in 2000 and made a quote, and I just want you to reaffirm that this is not where you are, but we suggest that—this is you—"we suggest that Federal preemption itself sometimes has the unintended consequence of limiting State regulators' ability to protect consumers and ensure a healthy banking and lending industry. Many States responded through statute or regulation to protect consumers from predatory practices. However, it has been the perhaps unintended consequence of Federal preemption that has made it difficult for States to offer the protection their consumers demand."

So you are going to be in a position, obviously, of making sure that we have uniform national standards, and yet seem to have in the past indicated that you question that, and we just want you to affirm that you absolutely are not going—you are going to be independent, you are not going to let Treasury brow-beat you into a different position, and that you are denouncing this former position.

Mr. CURRY. I want to assure you, Senator, that I will zealously enforce and uphold the National Bank Act, particularly where it relates to Federal preemption.

What I would want to point out is that I think that the Dodd-Frank Act's provisions actually resolve some of the issues that I was highlighting in that statement. There is now much more clarity in terms of the role of State Attorneys General, the applicability of Federal law to it and its relation to State consumer financial laws. And you also have the creation of the CFPB to address any gaps in terms of consumer protection. So I do think that my statement in the past is actually addressed by Dodd-Frank.

Senator CORKER. Thank you both, and Mr. Woodall, you are apparently universally loved.

[Laughter.]

Senator CORKER. I may have a question for you later, but we will see. Thank you.

Chairman JOHNSON. Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman.

Let me in this atmosphere that we are in here in Washington right now, let me strike a bipartisan note with Senator Corker and say to you, Mr. Gruenberg, that his observation about community banks and just banks in general, you know, we are sitting on the Committee saying to those institutions, particularly those that we helped save in 2008, we would like to see you lend, and then we listen to a chorus of voices that say, well, everything you want us to do, we are being told totally different by examiners.

So the question is, how do you strike the pendulum in the right way? We are not talking about speculative lending, obviously. For those of us who had to cast the votes to change the course of 2008, we do not want to see that again. By the same token, many of us have the observation that the pendulum has swung so far that we are creating a crisis in terms of getting access to capital and moving this marketplace and creating an economy that can thrive again. Without that access to capital, it is not going to happen. And if I have listened to one bank president or board of directors after another, I get a common thread, and when I get a common thread, I do not always believe it is contrived.

So I hope that you—you know, we have performing assets that are being asked to be recapitalized. We have areas of lending in which there are basically examiners saying, do not do it. So I understand that there were some who were not the cop on the beat when they needed to be, but that does not make them now the total opposite. So I would like to hear how you will direct to find this balance in the pendulum so we can get this economy moving again.

Mr. GRUENBERG. Thank you, Senator. That really is one of the key questions. The FDIC has six regional offices around the country. Over the course of this year, I had the opportunity to visit each of our regional offices, and in each office, I met with a group of our examiners without senior management present, except for one meeting where the senior manager kind of snuck in. But the rest, it was without management present to try to hear from them what they were seeing in terms of the institutions they were examining.

What we tried to communicate to them was the need for balance and to work with the institutions to enable them to the maximum extent they can to carry out their basic mission, which is extending credit to creditworthy borrowers.

I will tell you, for what it is worth, it is my sense that most of our examiners are career professionals who try to carry out their job in a balanced way. I have no doubt that there are some that go too far or go overboard. I think most are trying to do their best in a difficult environment.

What I will say to you is we are staying in close touch. People often talk about a disconnect between the policy makers in Washington and the examiners in the field. We will do our best to maintain or see that that connection is followed through, to stay in close touch with our examiners, and to encourage them to exercise judgment and discretion to allow these institutions to carry out their basic purpose. That is certainly going to be one of my top priorities.

Senator MENENDEZ. Well, I appreciate that.

Let me ask both of you, Mr. Curry and yourself, I am concerned that if the qualified residential mortgage definition being worked out by regulators is not broad enough, it could hurt a housing market that is already suffering enormously in terms of being part of our national economic recovery, especially if you perceive high downpayments of 20 percent or more. Can you comment on that?

Mr. CURRY. I would be happy to, Senator. We are in the process at the FDIC, and with the other Federal bank regulatory agencies, of reviewing the comment letters, the numerous comment letters on both the risk retention proposal and its qualified residential mortgage exemption provisions. The issues you raised of whether or not the proposal appropriately excludes a large number of American families and households from home ownership is an issue that we are looking at very carefully and are mindful of the consequences to those families and individuals as well as our economy.

Mr. GRUENBERG. Senator, I just might add, as you know, the agencies went forward with a Notice of Proposed Rulemaking on this issue. When the FDIC Board approved that Notice of Proposed Rulemaking, I commented at the time that we will have to strike a balance between trying to address the problems made evident in this crisis in terms of securitization and proper underwriting of mortgages with access to mortgage credit for creditworthy borrowers. I think that is the challenge of this rule. We extended the comment period. We expect to get additional comment and are seeking it and I think we understand a close review of this rule is going to be necessary.

Senator MENENDEZ. Well, we are going to be looking at it with great interest.

Finally, Mr. Curry, I will not go through all of the specifics of it, but we have sent, along with ten of our colleagues and about a dozen House colleagues, to the OCC as well as to other agencies the issue of alleged reports on mortgage modifications that suggests that the continued practice of robo-signing continues to be a reality, which is not acceptable and is not acceptable under the law. It should not be acceptable for the regulatory agencies. We are being told—we have been told by the regulatory agencies that that practice has ended, yet there are reports that it has not.

So my question is, the question that is put before all of you who have jurisdiction in this field, is will you disclose the results of the foreclosure reviews on a bank-by-bank basis, including the letters of engagement for the independent consultants performing those reviews and the action plans by the mortgage services? I have got to believe—I know that there is some claim of proprietary realities.

The Congressional Research Service has said that, in fact, it can be released in the public interest. There has to be some medium here by which you can assure those of us who are both policy makers as well as the public that this has ended.

Mr. CURRY. Senator, I think the robo-signing mortgage foreclosure issue is an extremely important one that affects individuals, families, the banking industry, and the overall mortgage finance industry. I think it is critically important that we work to restore credibility to that system. I think that the framework that is under the cease and desist orders—consent orders that were issued by the OCC and the other Federal regulatory agencies—were an important first step in trying to restore that credibility. I think, as well, the greater transparency that the agencies can show in how failures in that system are being corrected and individuals who have been harmed will find redress is critically important, and I think the agencies and the OCC, in particular, if I were confirmed, should work to be as transparent as possible, consistent with any governing supervisory or legal restrictions.

Senator MENENDEZ. Well, we will look forward to that. Thank you, Mr. Chairman.

Chairman JOHNSON. Senator Moran.

Senator MORAN. Mr. Chairman, thank you very much.

Mr. Gruenberg, Mr. Curry, Mr. Woodall, thank you for your current and past public service. Thank you for your interest in providing even additional leadership.

Mr. Woodall, you seem to have avoided any kind of serious conversation today. I only have to suggest to you that you must be a good person because your grandchildren are so well behaved.

[Laughter.]

Senator MORAN. Congratulations.

I want to focus my attention on community banks, as has been at least in conversation today a topic of conversation. You indicate, Mr. Gruenberg, in your testimony, "As the primary Federal regulator of the majority of our country's community banks, the FDIC carries a particular responsibility for the future of this crucial segment of our financial industry."

I have genuine concern that community banks are on the verge of becoming a thing of the past, and in large part I believe that because of the increasing regulatory burden that is being placed upon those banks.

I do not know whether you would know a number, but I would be interested in knowing what the percentage of regulatory cost is in comparison to assets or loans or deposits as compared to larger financial institutions. But in my view—and Kansas has lots of community banks. They are the ones, as you outlined, making loans to small business, in our case to farmers and ranchers. It is a different kind of environment. If you are seeking a loan at a community bank and you are someplace in a larger city with a larger financial institution, those personal relationships are important in rural States like mine. And I have had this conversation with every regulator that has sat in this room, and I would admit, Mr. Gruenberg, you have been in this room much longer than I have. But I have had this conversation at every opportunity, and I always get the same answer, which is, "We take special consideration, we account for community banks. We understand their importance." But there is virtually no end to the concern or criticism raised by our commercial banks about the regulatory environment which they in and the amount of money which is being spent to comply with regulations, the additional staff that is necessary. And it would be one thing, I suppose, if community banks were not succeeding because they no longer serve an economic purpose, but that is not the case. In my view, the demise, the fewer number of community banks is much more related to the environment in which they are finding themselves having to work.

One of our larger banks in our State, their CEO told me earlier this year that community banks for the first time in history are calling the large bank asking, "Are you at all interested in buying us? It is no longer any fun. The regulatory environment and costs that we encounter no longer make this a profitable venture."

So you see continued consolidation. The numbers are out there. We have fewer community banks as a result of some of the closures that have occurred. But in large part, it seems to me it is because they are consolidating with other banks in order to spread the regulatory costs among more assets and more loans.

And so while I appreciate your reassurance, it is somewhat like you said, Mr. Gruenberg, about the too big to fail in response to Mr. Corker. We are waiting for the evidence that something is different in regard to those community banks. And so, in particular, I want to—and I certainly agree with you that the FDIC insurance issues that you raise I think are a positive development. But let me particularly raise with you the disparate treatment of capital standards between community banks and large financial institutions.

The definition of "well capitalized" seems to have a different definition in regard to whether or not you are a large or small bank, and many of our community banks are being regulated in which they are required to have a much higher percentage of capital than our smaller banks—I am sorry, than our larger banks, many of which those larger banks are under other regulatory restrictions as a result of their financial condition.

So my point is that there is a double standard, in my view, between the capital requirements that small banks, community banks are required to have and that of larger financial institutions across the country, including on Wall Street.

And so my question is: Will you continue to regulate higher capital levels for the so-called too small to save community banks and in a sense let Wall Street—I do not want to say that—in a sense have a double standard, a disparate standard compared to Wall Street financial institutions?

Mr. GRUENBERG. Well, Senator, let me try to respond to that. It is my understanding that, as a matter of the rules that apply today, they are the same across the board. I think it is fair to say that community banks as a general matter actually have higher capital than larger institutions.

I think from my own perspective, one of the important authorities of the new law is to impose enhanced prudential requirements on our largest systemically significant institutions for precisely the point you make. They do derive an implicit benefit from their size, and to a certain extent, their capital requirements have not fully reflected those benefits. And that approach is reflected in the Basel III accords that Senator Shelby asked about earlier. In addition, there is provision to impose what in effect is an additional surcharge on our largest institutions. That authority is under the Dodd-Frank Act. There is a new international agreement to impose a particular additional level of capital on our largest banks in an effort to both have them account for the systemic risks that they pose and to bring about some greater leveling of the playing field with the smaller institutions.

I agree with you that that playing field has not been level. We should make efforts to try to bring greater balance to it. One of the things we can do under the new law which I think is important, in addition to the capital and prudential requirements, is to develop the capacity to place these large institutions into receivership because until you can do that, that also contributes to the funding advantage that they have.

Senator MORAN. True.

Mr. GRUENBERG. So on that end of it, I think the FDIC carries a responsibility in regard to the large institutions, and as you noted and I noted earlier, we have a responsibility for the small institutions.

Senator MORAN. Well, there is a belief among bankers that there is an attitude at the FDIC that small banks are more difficult to regulate, it takes more assets, the sense that you do not believe—not you personally, but the FDIC does not believe the management skills and capabilities are there. So I assume that in this setting you are going to tell me that is not the case, but I would just reaffirm what I continually hear about a belief that the FDIC has—I would not say a policy but an approach that says it would be a lot better for our economy if there were a lot fewer financial institutions. I will tell you for the economy of Kansas that would not be the case.

Mr. GRUENBERG. Senator, I appreciate you raising that point. I would say to you, it is my view we do not have that attitude toward community banks. Quite the contrary, we think they are really quite different in operation, and in a positive way, from the large institutions. In some sense, their business model, if anything, has been validated during the course of this crisis. They stay close to their customers. They rely on core deposits. They generally are a source of stability during difficult times. And they serve a function in their communities that is really quite unique and quite important for small business, for rural areas, for small towns that otherwise might not have access to financial services.

I will note we do have a Community Bank Advisory Committee. It is made up of 14 community banks from around the country. Our board meets with those bankers three times a year to hear directly from them what they and their colleagues are encountering in the field. We are endeavoring to stay close to this issue. I know we are less than perfect, but I do commit to you this is something that will be a matter of continuing attention for us.

Senator MORAN. Thank you, Mr. Gruenberg.

Thank you, Mr. Chairman.

Chairman JOHNSON. Mr. Gruenberg and Mr. Curry, it seems to me that when producing a cost/benefit analysis of each individual rule your agency writes, you must also take into account the cost of the financial crisis and the harm inflicted on consumers, investors, and the overall economy. How will you ensure that your agencies are taking into account the costs of this crisis when evaluating the costs and benefits of the new rules?

Mr. CURRY. Thank you, Chairman Johnson. I think it is critically important that all the agencies—the FDIC and the OCC in particular—identify and appropriately weigh all the costs as well as the benefits for any proposed rulemaking. And as you identified, the cost of the crisis I think is an appropriate factor to be weighed in that price as the long-term cost especially.

What is critical, I think, to any rulemaking is to have an open process and to encourage input from all affected sources, and I think the FDIC, which I have been associated with for the last 8 years, almost 8 years, has been very effective in reaching out to interested parties to hear their views and to help assess the costs as well as the benefits of any rule that comes before the agency.

Mr. GRUENBERG. Mr. Chairman, I would just add to that. When the FDIC has a rulemaking to do, we put together an interdivisional team to oversee that process, and the way that works is that team comes up with a series of options for implementing the regulation. And the whole purpose of the exercise is to evaluate the different options, in effect to weigh the balance between costs and effectiveness. And when we come out with a proposed rule, quite often in our Notice of Proposed Rulemaking not only do we put forward the proposal that is agreed to by that working group, but we will also ask for comment on the other options that are developed by that group in some sense to get a full airing of the different approaches for implementation, to get the benefit of public comment for the series of options.

And I would note that our Inspector General undertook a review of three of our rulemakings pursuant to the Dodd-Frank Act, in effect to evaluate the economic analysis that we do. And I refer you to that report. I think it is fair to say that that report found our process pretty credible and balanced. So I think we do a pretty good job. I am sure we could do better.

Chairman JOHNSON. Mr. Curry, do you anticipate a good and effective partnership with the CFPB in the rulemaking process and other functions?

Mr. CURRY. I think there is an important opportunity to collaborate between the bank regulatory agencies and the CFPB. I think that issues and rulemakings in this area really tend to have elements of both disciplines at stake. I would use as an example the implications from a financial safety and soundness or risk management standpoint of the nontraditional mortgage loan products. They have both elements of consumer protection and also, as we saw in the financial crisis, significant financial consequences to our banking system. If I were to be confirmed, I think it would be beneficial as a two-way street for the OCC to communicate to the CFPB the financial context in which a proposal would operate and also for the OCC, who will retain the ability to—or the responsibility to supervise institutions under $10 billion, to have the opportunity to be aware of emerging or potential consumer protection issues.

So, in summary, I think there really is a need for close collaboration and communication between the OCC, the banking agencies, and the CFPB.

Chairman JOHNSON. Senator Shelby.

Senator SHELBY. I would like to pick up on Senator Corker's question about too big to fail and so forth. I would think that the ideal situation would be a message from the regulators that nobody is too big to fail, and that if you do reckless things and you are—the Comptroller of the Currency, the FDIC, and the Fed are the big regulators here—that we are going to close you down no matter who you are. Of course, we are going to try to prevent as regulators you from getting into this kind of trouble if you are hands on. But we all realize that a lot of—not everything, but a lot of the blame for the financial crisis, a lot of it came from the regulators right here. When I was Chairman of this Committee, I asked questions of the regulators, not you but the others, the Federal Reserve Chairman, the FDIC Chairman at that time, the Comptroller: What are the conditions of the bank? We had a hearing on this. I hope that the Chairman will continue this, to hold a hearing specifically on the condition of our banking system. And what was the answer right here? Right here in this Committee. The banks are in good shape. But they were not. They were undercapitalized and in a lot of instances not well managed, hands off instead of hands on.

You do have the capacity now—I think you could have had it then, more capacity. But I agree with Mr. Gruenberg here that you have got to have the will, and you have got to send the message. Part of it is a message, but they will not believe you. What is the old story you have heard all your life? If you tell somebody you are going to shoot them if they cross the line and you do not shoot them, they have got you, you know? The question is: What are you as the regulators are going to do your job? You got the capacity but you have the will. I hope you do. And I think that the regulatory environment is tough. The Senator from Kansas got into that.

I have never worried about—maybe I should—a lot of the small banks bringing systemic risk in this country, on this country or into this country. But some of the biggest institutions will—have and will again. I do worry about Europe, and as the Chairman said, the Acting Chairman, a lot of our European banks are undercapitalized, much more so than us. Basel III, which we have all worked on. I think you have got the framework, and the question is: Will you as the regulators implement Basel III capital?

My question to both of you: If a foreign bank—let us say it is a German bank or a French bank or a British bank—doing business in this country if they are undercapitalized, do you have any power over them at all as to their capital standards doing business in this country? Because they could cause systemic risk here. Marty?

Mr. GRUENBERG. Senator, to the extent the foreign bank has a subsidiary here subject to our regulatory authorities, the answer to that is yes.

Senator SHELBY. And what does that mean? Does that mean you have some capacity to deal with their capital, their overall capital? Because their overall capital is what matters.

Mr. GRUENBERG. To the extent that we are dealing with the capitalization of their foreign operations, that is something we do not have direct authority over, and that is, frankly, why these international agreements are very important, not only to reach them but to monitor compliance with them. And we really need to develop that capacity to monitor not only our own compliance but what the major foreign institutions are doing, because at the end of the day it does all come together, and risk there poses risk here as well.

Senator SHELBY. Mr. Curry, do you have any thoughts on that? Because some of those big foreign banks are doing business here, and some of them, as you know, had some shaky foundations just a few years ago.

Mr. CURRY. I would have to agree with Vice Chairman Gruenberg that, with respect to the OCC, they would have to be a supervised entity by the OCC to take action.

I would comment that I agree with you that you cannot legislate supervisory fortitude. It is something that you have to bring to the table, and I would hope, if confirmed, that I would do that. And I also believe that it is appropriate for all the banking agencies to look at, as the Vice Chairman mentioned with the material loss reviews, how we could have done better and to learn from the lessons of this recent crisis.

Senator SHELBY. Mr. Woodall, I know you have gotten by here today, but I think that we basically believe that you are well qualified for this position. And you do have a well-behaved, nice-looking family. That does not hurt anything.

[Laughter.]

Senator SHELBY. But this position is unique here, as you pointed out and as we know, the position you have been nominated to serve on. You will be the first person to hold the insurance seat on the Financial Stability Oversight Council and how you carry out your duties will set important precedents for the role of this position that we will have in the future on the Council.

What contributions do you see—and I know you do not see every crisis because they have not emerged yet—can this position make to improve the effectiveness of the Council from the perspective of insurance companies? And you will be, as you well know, in the company of some very powerful people, including the two here perhaps, and also the Chairman of the Federal Reserve and others at Treasury. How do you see your position there? I do not believe you are going to be a shrinking violet. You did not take the position for that.

Mr. WOODALL. No, I do not intend to be a shrinking violet.

Senator SHELBY. I do not believe you are a shrinking violet. I see four sons behind you.

[Laughter.]

Mr. WOODALL. In trying to bring the perspective of the insurance world—and it is not just the insurance industry or just the regulators or the international part—it is all of that.

Senator SHELBY. And a lot of financial products are created through the insurance company, just like banks, in a different way.

Mr. WOODALL. That is right. As I said, those products sometimes, when they veer away from what the normal model, take on more risk, and they could, in some way have systemic risk involved in them. But that is what we have to look at, and we have to look at it from a company-by-company aspect. But the fact that the insurance industry is such a large part of financial services, I think that in all the issues that come before FSOC, there essentially is an insurance element, in the total picture of financial services. And as I said, this is a new creation, and I am an independent voice. I will not be speaking for the Administration or for the industry, or for the State regulators. I have to take all of that into account, along with what is happening at the international level, and vote my conscience.

Senator SHELBY. But there are some big insurance companies that could cause systemic risk to this country. I hope they do not ever, but, you know, they are such a size they could. But they, too, have got to have standards of capital and working capital and everything that goes with it, have they not?

Mr. WOODALL. Well, you have been talking about Basel with the banks.

Senator SHELBY. Right.

Mr. WOODALL. Well, on the insurance side, you have got Solvency II——

Senator SHELBY. And prevent another AIG. We do not want to go down that road.

Mr. WOODALL. And I think I tried to address that.

Senator SHELBY. You did.

Mr. WOODALL. As I said before, history showed us that when an insurance company, that one in particular, went beyond what the traditional model was, it got us into trouble. And you have to look under the hood and make sure there are not any regulatory gaps in there that would bring systemic risk. That is why the FIO was set up, too, to help identify any sort of regulatory gaps and to help develop within the Federal Government positions both nationally and internationally on insurance issues.

Senator SHELBY. Well, thank you.

Thank you, Mr. Chairman.

Chairman JOHNSON. I thank the witnesses for your testimony and for your willingness to serve our Nation.

I ask all Members of this Committee to submit questions for the record by noon this Friday, July 29, and I request that the witnesses submit your answers to us by close of business on Tuesday, August 2, so that we can move your nominations forward as quickly as possible.

This hearing is adjourned.

[Whereupon, at 11:32 a.m., the hearing was adjourned.]

[Prepared statements and responses to written questions supplied for the record follow:]

PREPARED STATEMENT OF CHAIRMAN TIM JOHNSON

Thanks to all of our nominees for joining us here today. I also want to extend a warm welcome to our witnesses' family and friends who are here with us.

Today we consider three nominees that will play a key role in the continued safety and soundness of our financial system as well as protecting consumers.

We need strong leadership at all our financial regulators, and I am glad the President has sent us three well qualified individuals to fill openings at the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and on the Financial Stability Oversight Council.

Particularly at this point in our economic and financial recovery, these are extremely important positions to be filled.

Under the Wall Street Reform Act, the FDIC was given new authorities that put an end to "too big to fail" by allowing the orderly resolution of large, complex financial institutions. Those authorities are a key part of making sure taxpayers are never again forced to bail out Wall Street, and it is vital that the FDIC have a Senate confirmed Chairman as it works to implement these rules.

Both the FDIC and OCC play crucial roles in our Nation's ongoing housing recovery. Recent reports exposing abusive practices by mortgage servicers and banks—from excessive fees to fraudulent foreclosures—highlight the importance of continued oversight and regulation of the housing sector.

The OCC and FDIC also help ensure that consumers and small businesses continue to have access to credit. From maintaining consumers' access to a stable mortgage market, to protecting small businesses' access to capital to help create jobs, to promoting small community banks' ability to provide credit to consumers in areas where big banks simply won't go, both these agencies have their work cut out for them.

I will look to our nominees to place a priority on all these issues at their agencies.

Lastly, the Financial Stability Oversight Council is a key pillar of the Wall Street Reform Act. It was created to identify systemic risks posed by large, complex financial institutions before they threaten the stability of our economy. I am pleased to consider the nomination of Mr. Woodall to be the voting insurance expert on the FSOC. AIG showed us how interconnected the insurance industry is with the health of our economy, and I am sure Mr. Woodall's contribution as an FSOC member will be invaluable.

The stability of our financial system, and of our economy, is vitally important and so I hope we can move expeditiously on these nominations.

PREPARED STATEMENT OF MARTIN J. GRUENBERG

TO BE CHAIRPERSON AND A MEMBER, BOARD OF DIRECTORS, FEDERAL DEPOSIT INSURANCE CORPORATION

JULY 26, 2011

Chairman, Johnson, Ranking Member Shelby, Members of the Committee, it is my honor to appear before you as the President's nominee to serve as Chairman and Member of the Board of the Federal Deposit Insurance Corporation.

I would like to thank President Obama for the honor of this nomination, and Chairman Johnson and Ranking Member Shelby for scheduling this confirmation hearing.

I have had the privilege of serving as Vice Chairman and Board Member of the FDIC since August 2005. From November 2005 to June 2006 I served as Acting Chairman following the departure of former Chairman Donald Powell. I am now again serving as Acting Chairman following the departure of former Chairman Sheila Bair.

Prior to joining the FDIC, as you know, I worked for Senator Sarbanes on the staff of the Senate Committee on Banking, Housing, and Urban Affairs from January 1987 to August 2005. During that period I had the opportunity to work on the major legislation acted on by the Committee including FIRREA, FDICIA, the Riegle-Neal Interstate Banking Act, the Gramm-Leach-Bliley Act, and the Sarbanes-Oxley Act.

In addition to working on some of the key pieces of legislation governing the operations of the FDIC, I have had the opportunity to serve on the Board of the FDIC as the FDIC responded to the most severe financial crisis in the United States since the 1930s. I think it is fair to say that the deposit insurance, resolution, and supervision functions of the FDIC proved critical to maintaining public confidence and financial stability during the crisis.

The experiences of serving on the staff of the Senate Banking Committee and on the Board of the FDIC have been good preparation to serve as Acting Chairman and, if confirmed, Chairman of the FDIC during what remains a challenging period ahead. There are positive signs. Although over 880 insured institutions remain on the FDIC's problem bank list, we believe that number may have peaked and may start heading down in the near future. Similarly, although the FDIC closed 157 failed banks last year, we are projecting a substantially smaller number of bank failures this year. Fifty-eight banks have failed thus far this year compared to 103 at this time last year. The FDIC's Deposit Insurance Fund, which had been in negative balance as a result of the costs of the bank failures, moved into positive territory at the end of June.

In terms of priorities, the FDIC will have significant new responsibilities under the Dodd-Frank Act for the resolution of systemically significant financial institutions to implement. As the primary Federal regulator of the majority of our country's community banks, the FDIC carries a particular responsibility for the future of this crucial segment of our financial industry. Finally, the FDIC will also continue to play a leading role in expanding access to insured financial institutions to all Americans as a means for economic opportunity and financial security.

Mr. Chairman, it has been a great privilege for me to serve on the Board of the FDIC for almost 6 years. I have come to have a deep respect for the professionalism and dedication of the staff of the FDIC who have performed with such distinction during this recent difficult period. I believe that the FDIC, which celebrated its 75th anniversary just 3 years ago, has proved itself to be one of our country's great public institutions. It is certainly the greatest honor of my career to have been nominated by the President to serve as Chairman of the FDIC, and to be considered by this Committee for confirmation.

Thank you very much. I would be pleased to respond to your questions.

PREPARED STATEMENT OF THOMAS J. CURRY

TO BE COMPTROLLER OF THE CURRENCY

JULY 26, 2011

Chairman Johnson, Ranking Member Shelby, and Members of the Committee, thank you for the opportunity to appear before you today. I am honored that President Obama has nominated me to be Comptroller of the Currency.

Eight years ago, I had the honor to be nominated by President Bush and to come before this Committee for confirmation hearings to be a Board Member of the Federal Deposit Insurance Corporation (FDIC). It has been a tremendous privilege to serve at the FDIC during one of the most tumultuous economic periods in our Nation's history. I take great pride in the work of the FDIC and its very dedicated staff who maintained the American people's trust in the FDIC deposit insurance guarantee and the fundamental safety and soundness of our financial system. Independent and professional bank regulatory agencies like the FDIC and the Office of the Comptroller of the Currency are one of the strengths of our financial system.

Prior to my Federal service, I served five successive Massachusetts Governors as the Commonwealth's Commissioner of Banks for approximately 10 years and served for 7 years as a senior State bank regulatory official and attorney. My State bank regulatory experience also coincided with the New England banking crisis of the late 1980s and early 1990s. During this period of regional economic disruption and subsequent recovery, I gained invaluable experience and perspective which served me well as an FDIC Board Member.

My 25 years of experience as a Federal and State bank supervisor, has underscored the fundamental importance of a safe and sound banking industry to our economy particularly in times of stress. Economic recovery and prosperity requires a healthy, independently regulated banking system that has both the financial capacity and confidence to extend credit to individuals and businesses.

In sum, I believe my public service career has given me invaluable financial safety and soundness and public protection regulatory experience and judgment to capably serve as the Comptroller of the Currency, if confirmed.

It has been the greatest professional honor of my life to serve my country during this difficult time. Should the Senate choose to confirm me, I look forward to the opportunity to lead the team at the Office of Comptroller of the Currency as it serves the individuals, businesses, and communities that benefit from a safe, sound, and fair national bank system.

Thank you, Chairman Johnson and Ranking Member Shelby for this opportunity. I look forward to your questions.

PREPARED STATEMENT OF S. ROY WOODALL

TO BE A MEMBER, FINANCIAL STABILITY OVERSIGHT COUNCIL

JULY 26, 2011

Chairman Johnson, Ranking Member Shelby, and distinguished Members of the Committee, it is my honor to appear before you today. I am also deeply honored to be President Obama's nominee for this position and I want to thank you and your staff for the time you have spent with me, helping to move my nomination forward.

With me today is my wife, Jane, my best friend and life partner of 53 years, along with our four sons and their respective families. Jane is a former English teacher and now serves as the General Manager of the Smithsonian Chamber Music Society at the National Museum of American History. Our sons, in chronological order are: Sam, an attorney in Washington; Brock, a hardwood flooring contractor in Georgia; Claiborne, who works with the Virginia Natural Heritage Program in Abingdon, Virginia; and Garner, who is an Intelligence Analyst with the FBI. When we get together with our daughters-in-law and nine grandchildren, which we do frequently, there are 19 of us.

If approved by this Committee and confirmed by the Senate, I know that the constant support and guidance of my wonderful family will continue to enlighten my thoughts and actions as I carry out my duties as a member of the Financial Stability Oversight Council (FSOC).

FSOC was created by the Dodd-Frank Wall Street Reform and Consumer Protection Act to identify risk to U.S. financial stability, promote market discipline and respond to emerging threats. The FSOC is comprised of existing Federal financial services regulators as voting members. However, since there is no insurance regulatory agency at the Federal level, Dodd-Frank provides for a Presidential appointment of "an independent insurance expert" in order to assure that insurance, which represents a substantial portion of the U.S. financial system, is appropriately recognized and accommodated within the new FSOC framework.

I frankly know of no one who could technically qualify as an undeniable "expert" in all aspects of the highly diversified and constantly changing insurance industry, as well as its State-based regulatory regime and international position. However, if I am confirmed, I do believe that my half century of experience in insurance would provide FSOC with the insurance perspective envisioned by Dodd-Frank. Aspects of that career include experience as a State insurance regulator, insurance attorney, insurance company rehabilitator, insurance trade executive, and a Federal insurance resource at the Congressional Research Service and the U.S. Treasury.

Insurance is in my blood. My grandfather, C.A. Woodall, started selling insurance from a mule-drawn wagon in 1904 and continued to be a leading insurance producer in Princeton and Western Kentucky for over 50 years. My father, Roy Woodall, Sr., started his own general agency in Paducah, Kentucky, in the 1920s and ran it until he retired in 1973.

I was first introduced to the regulatory side of insurance as a law student in the summer of 1961, when I was an intern at the Kentucky Insurance Department. After getting my law degree in 1962, I continued to work as an attorney for the Department; became General Counsel in 1964, and was appointed Commissioner in 1966. After the completion of my term, I practiced law with a Louisville law firm until 1972, at which time I became a court-appointed rehabilitator of three publicly owned life insurance companies that had been seized by the State. The rehabilitation was concluded successfully in 1976, and until 1980 I worked as the Assistant to the President of a family owned life insurer in Louisville, Kentucky. At that time I was selected to become the President of an Atlanta-based insurance trade association, the National Association of Life Companies, which was merged in 1993 with the American Council of Life Insurers (ACLI). Following the merger I served the ACLI as Managing Director/Issues and Chief Counsel, State Relations until my retirement in 1999. I then became Of Counsel to an Atlanta-based law firm in its Washington office.

As with many others I know, the terrorist attacks of 9/11 changed the focus of my life. I became an insurance consultant to the Congressional Research Service as it addressed the needs of Congress in developing the Terrorism Risk Insurance Act (TRIA). Following the passage of TRIA, I was asked by Treasury to assist in its implementation of TRIA. I continued to serve as Treasury's Senior Insurance Policy Analyst for 8 years, monitoring all types of insurance issues and the State insurance regulatory system.

In all of these insurance-related areas, my experiences taught me lasting lessons about the various aspects of insurance. Also, I believe that those experiences qualify me to serve in the position to which I have been nominated. If confirmed by the

Senate, I pledge to work closely with the other members of FSOC, and to continue expanding my knowledge of, fascination with, and passion for the complex world of insurance.

Thank you for opportunity to appear before you today. I look forward to answering any questions that you may have.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR CORKER FROM S. ROY WOODALL

Q.1. An important decision yet to be finalized by the Financial Stability Oversight Council (FSOC) deals with the method for determining what financial firms and insurance companies may be designated as systemically important. What metrics do you think should be considered by the FSOC in making a determination of whether an insurance company is systemically important?

A.1. Section 113 of the Dodd-Frank Act (DFA) sets out a list of 10 specific considerations that FSOC is to consider in determining whether a U.S. nonbank financial company, including an insurance company, should be designated as systemically important and thus subject to enhanced supervision by the Board of Governors of the Federal Reserve. These statutory considerations or criteria are:

1. The extent of the leverage of the company;
2. The extent and nature of the off-balance-sheet exposures of the company;
3. The extent and nature of the transactions and relationships of the company with other significant nonbank financial companies and significant bank holding companies;
4. The importance of the company as a source of credit for households, businesses, and State and local governments and as a source of liquidity for the United States financial system;
5. The importance of the company as a source of credit for low-income, minority, or underserved communities, and the impact that the failure of such company would have on the availability of credit in such communities;
6. The extent to which assets are managed rather than owned by the company, and the extent to which ownership of assets under management is diffuse;
7. The nature, scope, size, scale, concentration, interconnectedness, and mix of the activities of the company;
8. The degree to which the company is already regulated by one or more primary financial regulatory agencies;
9. The amount and nature of the financial assets of the company; and
10. The amount and types of the liabilities of the company, including the degree of reliance on short-term funding.

It would appear that some of these statutory criteria are more relevant than others with respect to insurance entities and groups in order to determine their overall risk. As I said in my testimony before the Committee, I believe that each large nonbank financial company under consideration by FSOC should be examined on a case-by-case basis, utilizing both quantitative metrics and qualitative judgments. It would appear to me that the following criteria drawn from the statutory list above would be of primary utility to FSOC in establishing those metrics necessary to determine whether an insurance company might present systemic concerns:

1. *Size:* While size alone is not a determinative consideration, larger insurance entities or groups are likely to be more interconnected. Thus FSOC could use size to identify a subset of

those larger firms that could possibly be systemic and thereby present a threat to the financial system. Smaller insurers and those that clearly do not diverge from the traditional insurance core model would probably not need to be subject to the same degree of scrutiny unless they might be involved in specialized lines of insurance directly connected to the financial system, such as monoline or financial guarantee insurers. FSOC could consider various size metrics such as total consolidated assets of a firm or group, total assets of noninsurance financial entities within a firm or group, as well as total consolidated liabilities (including off-balance sheet liabilities, guarantees, and derivatives) of a firm or group.

2. *Interconnectedness:* In order to measure the importance of the insurer in the equities market, the bond market, and the residential and commercial mortgage market, FSOC could review the maximum ownership share of these asset classes. It could also look at derivative exposure in order to capture the counterparty exposure risk beyond transactions to hedge existing risks.
3. *Degree to which the insurer is already regulated:* FSOC could profile the number of primary or domiciliary State regulators of insurance entities, as well as the number of other State regulators with regulatory jurisdiction by virtue of the entities' being licensed in their State. It could also be important to determine which entities within a group are unregulated. Also important could be an evaluation of the nature and extent of any supervision on a group wide basis.
4. *Other applicable metrics that could be of assistance in certain situations would include:* lack of substitutes, leverage, liquidity risk, and maturity mismatch.

If confirmed by the Senate, I look forward to working with the other FSOC members, and especially the two nonvoting insurance members, to develop in a fair and transparent manner the appropriate metrics to be used; and also to exercise my independent judgment, based on my years of experience, in applying those metrics.