

**Opening Statement of Chairwoman Sue Kelly
Subcommittee on Oversight and Investigations
“Oversight of the Federal Deposit Insurance Corporation”
March 4, 2004**

There are many important roles that Congress provides, but none is more important than protecting consumers through proactive and effective oversight – a commitment that the Financial Services Committee takes very seriously. The American people expect and deserve strong oversight of the regulators protecting their hard-earned money.

The Oversight & Investigations Subcommittee will continue to ensure that all Americans have the protection and security they need within their financial institutions. This is the first in a series of oversight hearings on the federal agencies within the jurisdiction of the Financial Services Committee. These hearings will enable the Committee to assess the state of the agencies, examine their performance, and ensure that they are acting in the public interest.

We begin this process by examining the Federal Deposit Insurance Corporation (FDIC), which serves as the supervisor of the safety and soundness practices for thousands of U.S. financial institutions. As an independent agency, the FDIC has been tasked by Congress with maintaining stability and confidence in the banking system. The Agency supervises the health of roughly 5,300 state-chartered institutions and manages the receivership of the few failed depository institutions under its care. In addition to its safety and soundness mission, the FDIC is the deposit insurer for more than 9000 of the nation’s banks and savings associations, insuring over \$3.4 trillion in deposits.

The Subcommittee welcomes FDIC Chairman Donald Powell and we look forward to his testimony. Last week, the FDIC issued its “quarterly banking profile” for the fourth quarter of 2003, which reported that FDIC-insured institutions enjoyed record-high earnings for the fourth consecutive quarter – including a 22-percent increase in profits during the fourth quarter of 2002. In addition, there were only three FDIC-insured institutions that failed in 2003, and the number of “problem institutions” was reduced from 136 at the end of 2002 to 116 at year-end 2003. We hope to hear about the steps the FDIC continues to take to improve efforts to identify and address systemic risks and other structural weaknesses in the financial sector.

We also are especially interested in the progress that financial institutions are making regarding implementation of the Bank Secrecy Act and the PATRIOT Act’s reporting provisions. The PATRIOT Act required the FDIC to expand its supervisory role with regard to money-laundering.

This is vital to the nation's security and financial stability. It is imperative that we dry up this illicit money, and we would like to hear about the progress that the Agency has made working with the private sector to protect the American people.

The Subcommittee also welcomes FDIC Inspector General Gaston Gianni. In 1996, Mr. Gianni became the first Presidential-appointed Inspector General of the FDIC. The Inspector General's mission is to promote efficiency and effectiveness of FDIC programs, as well as protect consumers from fraud, waste and abuse in the programs – an important endeavor that promotes stability and public confidence in our institutions. The Subcommittee looks forward to hearing the Inspector General's findings on the programs and operations of the FDIC, including recommendations for improvements.

In addition, Ms. Jeanette Franzel, the Director of Financial Management and Assurance at the General Accounting Office, is here today to discuss the GAO's audits in 2002 and 2003. Ms. Franzel will discuss the GAO's findings that the agency maintains effective control over financial reporting and compliance. I would like to commend Chairman Powell for the clean report the FDIC has received, and for taking steps to improve targeted areas – including the addition of a newly created Chief Information Officer.

I thank all of our witnesses for their participation in this important hearing on FDIC oversight and we look forward to your testimony.