JEB HENSARLING, TX , CHAIRMAN

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

MAXINE WATERS, CA, RANKING MEMBER

M E M O R A N D U M

To: Members of the Oversight and Investigations Subcommittee

From: FSC Majority Staff

Date: March 19, 2015

Subject: March 24, 2015, Oversight and Investigations Subcommittee hearing entitled "The Federal Deposit Insurance Corporation's Role in Operation Choke Point"

The Oversight and Investigations Subcommittee of the Financial Services Committee will hold a hearing entitled "The Federal Deposit Insurance Corporation's Role in Operation Choke Point" on March 24, 2015, at 2:00 p.m. in room HVC-210 of the U.S. Capitol Visitor Center. The Honorable Martin J. Gruenberg, Chairman of the Federal Deposit Insurance Corporation (FDIC), will be the sole witness.

Operation Choke Point is a law enforcement initiative launched by the Department of Justice's Consumer Protection Branch to combat consumer fraud by "choking off" businesses alleged to have committed fraud from access to the financial system.[1] Pursuant to this initiative, the Justice Department has partnered with financial regulators to identify businesses that pose a "high risk" for consumer fraud.

The FDIC has worked closely with the Department of Justice to implement Operation Choke Point. Documents and communications produced to Congress in late 2014 have clarified the involvement of the FDIC in this initiative, providing information previously unknown at the time of the Oversight and Investigations Subcommittee's July 15, 2014, hearing on Operation Choke Point. Due in part to the Committee's oversight, the FDIC released an amended Financial Institutions Letter on January 28, 2015, stating that all banks it supervises should examine

[1] *See* House Committee on Oversight & Government Reform, *Staff Report on the Department of Justice's 'Operation Choke Point': Illegally Choking Off Legitimate Businesses?*, 113th Cong. (2014), *available at* http://oversight.house.gov/wp-content/uploads/2014/05/Staff-Report-Operation-Choke-Point1.pdf.

their customer relationships on a case-by-case basis.[2] The FDIC followed this action with an internal memorandum to supervisory staff requiring that examiners record in writing any recommendations to terminate a bank account.[3] The purpose of this hearing is to continue to review the FDIC's implementation of Operation Choke Point.

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[2] FDIC, "Statement on Providing Banking Services," FIL-5-2015, (Jan. 28, 201), *available at* https://www.fdic.gov/news/news/financial/2015/fil15005.pdf.

[3] Kelly Riddell, "FDIC attempts to end Operation Choke Point with letter, action," Washington Times, (Jan. 28, 2015), *available at* http://www.washingtontimes.com/news/2015/jan/28/fdic-attempts-end-operation-choke-point-letter-act/.