

M E M O R A N D U M

To: Members of the Committee on Financial Services
From: FSC Majority Staff
Date: July 10, 2014
Subject: July 15, 2014, Oversight and Investigations Subcommittee Hearing Entitled “The Department of Justice’s ‘Operation Choke Point’”

The Oversight and Investigations Subcommittee will hold a hearing entitled “The Department of Justice’s ‘Operation Choke Point’” on July 15, 2014, at 10:00 a.m. in room 2128 of the Rayburn House Office Building. This will be a one-panel hearing with the following witnesses:

- Stuart F. Delery, Assistant Attorney General, Department of Justice
- Scott G. Alvarez, General Counsel, Federal Reserve Board
- Richard J. Osterman, Acting General Counsel, Federal Deposit Insurance Corporation
- Daniel P. Stipano, Deputy Chief Counsel, Office of the Comptroller of the Currency

In March 2013, the Department of Justice announced an initiative by its Consumer Protection Working Group to stop banks and payment processors from providing financial services to merchants that were suspected of consumer fraud.¹ Known informally as “Operation Choke Point,” the initiative is focused on banks and payment processors because these institutions are the “so-called bottlenecks, or choke-points,” for financing merchants from “high-risk” industries.² The Department has reportedly partnered with financial regulators, including the Federal Deposit Insurance Corporation, the Federal Reserve Board, and the Office of the Comptroller of the Currency, to identify merchants that pose a “high risk” for consumer fraud. Based on a recent Congressional report and documents produced by the Department of Justice, it appears that Operation Choke Point has led to banks terminating their relationships with a wide variety of merchants, including some lawful and legitimate businesses.³

This hearing will review the actions of the Department of Justice and the federal banking regulators in executing “Operation Chokepoint,” with an eye toward ensuring that businesses operating lawfully are not denied access to banking services.

¹ Michael J. Bresnick, Director, Financial Fraud Enforcement Task Force, Dep’t of Justice, Remarks at the Exchequer Club of Washington, D.C. (Mar. 20, 2013), available at <http://www.justice.gov/iso/opa/doj/speeches/2013/opa-speech-130320.html>.

² *Id.*

³ See generally H. Comm. on Oversight & Gov’t 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>.