November 5, 2025

REPORT ON CULTURE TRANSFORMATION

FDIC FEDERAL DEPOSIT INSURANCE CORPORATION

November 5, 2025

The Honorable John Kennedy
United States Senate
437 Russell Senate Building
Washington, DC 20510

Dear Senator Kennedy,

Thank you for the opportunity to provide information regarding actions we have taken to address the toxic workplace culture at the FDIC, hold wrongdoers accountable, and create an environment in which all employees are treated professionally and with respect. Like you and many others, I was appalled by the revelations and conduct described in the *Wall Street Journal* articles published in November 2023[1] and the report authored by the law firm Cleary Gottlieb Steen & Hamilton LLP[2] ("Cleary Report") a few months later. There is no place at the FDIC—or in any professional setting—for individuals who engage in harassment, discrimination, and other misconduct.

The Cleary Report found that, for far too many employees and for far too long, the FDIC failed to provide a workplace safe from sexual harassment, discrimination, and other interpersonal misconduct. For the past two years, it has been a priority of mine to reverse these problems and reestablish a strong workforce culture at the FDIC.

In late 2023, and throughout 2024, while serving as Vice Chairman, I was actively engaged to ensure the FDIC was making meaningful progress in responding to the revelations. Along with Director Jonathan McKernan, I pushed hard for the creation of a Special Review Committee, which eventually led to the Cleary Report; in particular, I fought to ensure that Chairman Gruenberg was completely recused from the review, and that FDIC management would not have any involvement or ability to influence the review.[3] I firmly believe many

[1] Rebecca Ballhaus, "Strip Clubs, Lewd Photos and a Boozy Hotel: The Toxic Atmosphere at Bank Regulator FDIC," *Wall Street Journal* (Nov. 13, 2023); Rebecca Ballhaus, "FDIC Chair, Known for Temper, Ignored Bad Behavior in Workplace," *Wall Street Journal* (Nov. 16, 2023).
[2] Cleary Gottleib Steen & Hamilton LLP, *Report for the Special Review Committee of the Board of Directors of the Federal Deposit Insurance Corporation* (Apr. 2024). The FDIC retained Cleary Gottlieb in 2024 to review the FDIC's workplace culture and provide it with recommendations. The FDIC published the Cleary Gottlieb Report on May 7, 2024.
[3] *See* Statement of Vice Chairman Travis Hill, Establishment of Special Committee to Oversee Independent Review of FDIC Workplace Culture (Nov. 21, 2023).

employees who came forward would not have done so without the repeated assurances of the review's independence and confidentiality.

After the Cleary Report was released in 2024, I pushed for the creation of a separate Board Committee to oversee the FDIC's response to allegations of harassment, discrimination, and misconduct, which would have required then-Chairman Gruenberg's recusal, and I offered a Board resolution to achieve this at the FDIC's September 2024 Board meeting, which was blocked on a party-line vote.[4] And throughout 2023 and 2024, I directly engaged with many employees throughout the agency, many of whom approached me to share their personal experiences and to offer suggestions for how the agency could begin the process of repairing its deep-seated culture issues. Those conversations continue to influence my perspective today.

Since becoming Acting Chairman in January 2025, I have remained keenly focused on the culture transformation. Two critical elements of that transformation have been setting a new tone at the top and holding wrongdoers accountable. As described in more detail below, I have instituted new leadership across the agency, and today **not a single FDIC executive with substantiated allegations of misconduct remains with the agency**. Moreover, as also described further below, as a result of our new processes for investigating misconduct, more employees are reporting incidents, suggesting restored trust in the process; the agency has taken action against nearly all employees who have had substantiated findings against them; and the FDIC has effectuated removal actions against employees who have engaged in the most egregious misconduct. Furthermore, over 1,000 employees have left the agency this year as a result of downsizing efforts, including employees who would have been subject to investigations had they remained.

New Investigative Offices to Bolster Accountability

The most critical piece of our cultural transformation efforts is the complete revamp of our investigative process for allegations of harassment and interpersonal misconduct. The lynchpin of these efforts is the creation of the Office of Professional Conduct (OPC) and the Office of Equal Employment Opportunity (OEEO). I was actively engaged in the establishment of these offices and personally participated in interviewing the finalists for the Director positions of both offices.

[4] *See* Statement of Vice Chairman Travis Hill, Board Oversight of Workplace Culture (Sept. 17, 2024).

As the Cleary Report made clear, the FDIC's prior process for taking in and investigating allegations of harassment and interpersonal misconduct was a failure. This resulted in many individuals who had engaged in egregious misconduct remaining at the agency, sometimes being moved around, and sometimes remaining in place. Many employees lost faith in the process and failed to report incidents, leading to significant underreporting of misconduct.[5]

Today, intake, investigation, and accountability are handled by OPC and OEEO. OPC intakes, investigates, oversees (and in some cases decides) discipline, and defends disciplinary appeals for complaints of harassment, interpersonal misconduct, and retaliation for reporting such misconduct. OEEO investigates and reports on complaints of discrimination under the laws enforced by the Equal Employment Opportunity Commission (EEOC). Both offices are independent of other FDIC offices to ensure that their investigations are unbiased and free of conflicts of interest, and both offices report directly to the FDIC's Board of Directors. This unique structure was necessary to restore trust and credibility after years of a broken process.

OPC and OEEO have both been functional since the beginning of the year. They have hired new staff,[6] and they are receiving and investigating complaints. OPC operates a hotline and has established other processes where employees and other individuals can file complaints about harassment, interpersonal misconduct, and retaliation for reporting such conduct, confidentially or anonymously. If allegations of harassment, interpersonal misconduct, or retaliation for reporting such conduct are substantiated, OPC may take appropriate corrective action, including removing employees from the agency. Outside of its own staff of professional investigators, OPC also utilizes third-party law firms to conduct investigations, as does OEEO.

Following the creation of OPC and OEEO last year, as part of our organizational restructuring this past spring, we abolished the Labor and Employee Relations Section (LERS), which was part of the FDIC's Human Resources Organization, and the Internal Ombudsman. Both of these groups were involved in the FDIC's historical approach to addressing

[5] *See, e.g.*, Cleary Report, *supra* note 2, at 3 ("FDIC employees fear retaliation and do not trust or understand well the FDIC's reporting and investigative processes.").
[6] All of OPC's investigative staff have been hired from outside the agency.

misconduct. LERS was heavily criticized in the Cleary Report,[7] while the report described the Internal Ombudsman's role as adding to confusion among the workforce.[8] The functions of these offices have been reassigned, with OPC responsible for the FDIC's anti-harassment program from intake to accountability, and other responsibilities being reassigned to the Legal Division.

Leadership Changes

The Cleary Report included a scathing review of the role leadership across the agency played in perpetuating a broken culture. For example, the report stated, "*throughout the agency, division and regional leaders—virtually all with decades of experience at the agency—filled the manager ranks with other equally long-serving colleagues. This structure has led to a stagnancy and stubbornness that has stunted progress in workplace culture. As one employee reported into the hotline, 'whoever I tell [about workplace misconduct], they will protect each other. They've worked together 30 years—[and] then who am I*?'"[9] The FDIC Office of Inspector General (OIG) has detailed examples of how certain senior executives "*assisted one another in discreetly and expeditiously resolving complaints when allegations of misconduct arose against them*."[10] To address these issues, I have implemented substantial leadership changes this year, as described below.

In July 2025, the FDIC's OIG issued a report detailing the results of its investigation into a range of allegations made against former Chairman Gruenberg and four top executives at the FDIC. None of those individuals were still at the agency when the report was issued. Two executives departed the agency in January 2025, around the time of Inauguration. A third executive accepted the government-wide Deferred Resignation Program (DRP) offered in

[7] *See, e.g.,* Cleary Report, *supra* note 2, at 130 ("[E]mployees expressed a general distrust of LERS, and believe they function to protect management. One LERS specialist acknowledged that their role, which involves advising management on disciplinary actions but also conducting investigations into management, could give the appearance of a conflict of interest. . . .That same LERS specialist said LERS's role in investigations 'raise[s] real concerns of bias and objectivity in the investigative process.' This mistrust in the current reporting channels has clearly led to underreporting of misconduct.").

[8] *See, e.g.*, *id.* at 160 ("Some of the confusion around these reporting mechanisms includes the difference between filing an EEO complaint versus filing a harassment complaint through the AHP; the difference between speaking to LERS and LEAS on the one hand versus the EEO complaints channel and the AHP on the other; and whether the Internal Ombudsman is itself a separate reporting channel that will lead to any follow up action.").

[9] *Id.* at 6.

[10] FDIC Office of Inspector General, *Final Report - REV-25-03 Special Inquiry of the FDIC's Workplace Culture with Respect to Harassment and Related Misconduct Part 2_Redacted*, No. REV-25-03 (July 2025) at 21.

February and left the FDIC earlier this year; this individual was the subject of multiple allegations that were substantiated by subsequent FDIC investigations. Finally, the fourth executive was the subject of a full investigation while still at the FDIC. The investigation substantiated allegations, removal was proposed, and the executive departed the agency prior to the removal being effectuated. The FDIC denied paying 2024 bonuses to all four executives.

More broadly, the FDIC has experienced a substantial change in leadership since the start of 2025. The Board of Directors has completely turned over. Approximately half of the agency's Division and Office Directors and other direct reports to me have been replaced since the start of the year. By the end of the year, four of the six Regional Offices across the country will have new Directors. In total, more than 100 executives and managers have departed the FDIC this year.

Leadership has a strong bearing on an organization's culture, and I have made a concerted effort to put in place leaders who lead by example, embody the values we want employees to emulate, and do not tolerate misconduct.

Actions to Restore Accountability

The chart below shows data for actions taken against FDIC employees over the past fiscal year (FY) in response to allegations of misconduct. This chart does not include individuals who were subject to removal or other actions for performance issues.

FY 2025 Employee Misconduct Accountability Data[11]

Type	Total
Number of subjects involved in cases closed	338
Number of subjects who had allegations substantiated	112
Non-disciplinary action taken (e.g., oral or written counseling)	57
Disciplinary Action: Formal Reprimand	10
Disciplinary Action: Suspension	5
Disciplinary Action: Demotion	2
Disciplinary Action: Removal	14
Resignation or retirement in lieu of removal	12
Departed agency prior to discipline taken (other than removal)	9

As the data above demonstrates, 26 employees left the agency specifically due to substantiated allegations of misconduct, either because they were removed by the FDIC or because they separated prior to a planned removal being effectuated.

In one example of discipline being taken, a male employee lifted his shirt to show his chest to a female employee and slapped a male employee on his rear while making a graphic comment. The investigation substantiated the claim, and the employee was fired. In another example, a harasser made a series of increasingly explicit sexual and grossly inappropriate comments to an employee over multiple Microsoft Teams calls. Immediately after the final call, the employee notified a trusted co-worker, who in turn notified the employee's supervisor. The harasser was promptly placed on administrative leave to immediately remove him from the workplace. The investigation substantiated the allegations and the harasser's removal was proposed. The harasser separated from the agency while the removal was pending.

It is worth emphasizing that more employees would have been subject to discipline had they not left the agency earlier this year. As part of the FDIC's workforce reduction plan, we reduced our authorized workforce by 1,272 positions (from 6,723 to 5,451) and the FDIC's overall headcount has declined by 1,393 individuals (from 6,551 as of January 20, 2025 to

[11] The data below are generally significantly higher than historical numbers at the agency. However, as explained further below, the FDIC lacks reliable historical data to provide comparisons. As one comparison, while anti-harassment cases represent only a subset of misconduct cases, in 2023, the FDIC reported 16 complaints as part of its anti-harassment program, resulting in 1 reprimand, 1 counseling, and no other disciplinary actions. *See* Cleary Report, *supra* note 2, at 52.

5,158 as of October 31, 2025).[12] Further, it is plausible that certain individuals who had committed misconduct in the past may have been more likely to take the government-wide DRP offered in February rather than face the new investigative process.

At the hearing last week, you noted that the Cleary Report listed hundreds of claims of harassment, discrimination, and other misconduct. For additional context, the report included cases going back multiple decades, meaning some of the employees responsible for misconduct cited in the report departed the FDIC years ago. Additionally, to encourage employees to come forward, allegations made to Cleary were all made with a promise of confidentiality. Had Cleary broken that confidentiality, it would have severely undermined the trust we have been trying to rebuild with the workforce. The FDIC took steps to encourage employees who confidentially shared allegations with Cleary to subsequently share them with FDIC investigators, and some did, but many did not. Moreover, employees who already had complaints previously investigated by the FDIC had the opportunity to re-file their complaints with OPC if they were unsatisfied with the outcome. However, the FDIC was generally unable to investigate allegations described in the Cleary Report if the victims did not subsequently come forward.

The chart below shows additional data related to cases for FY 2025:

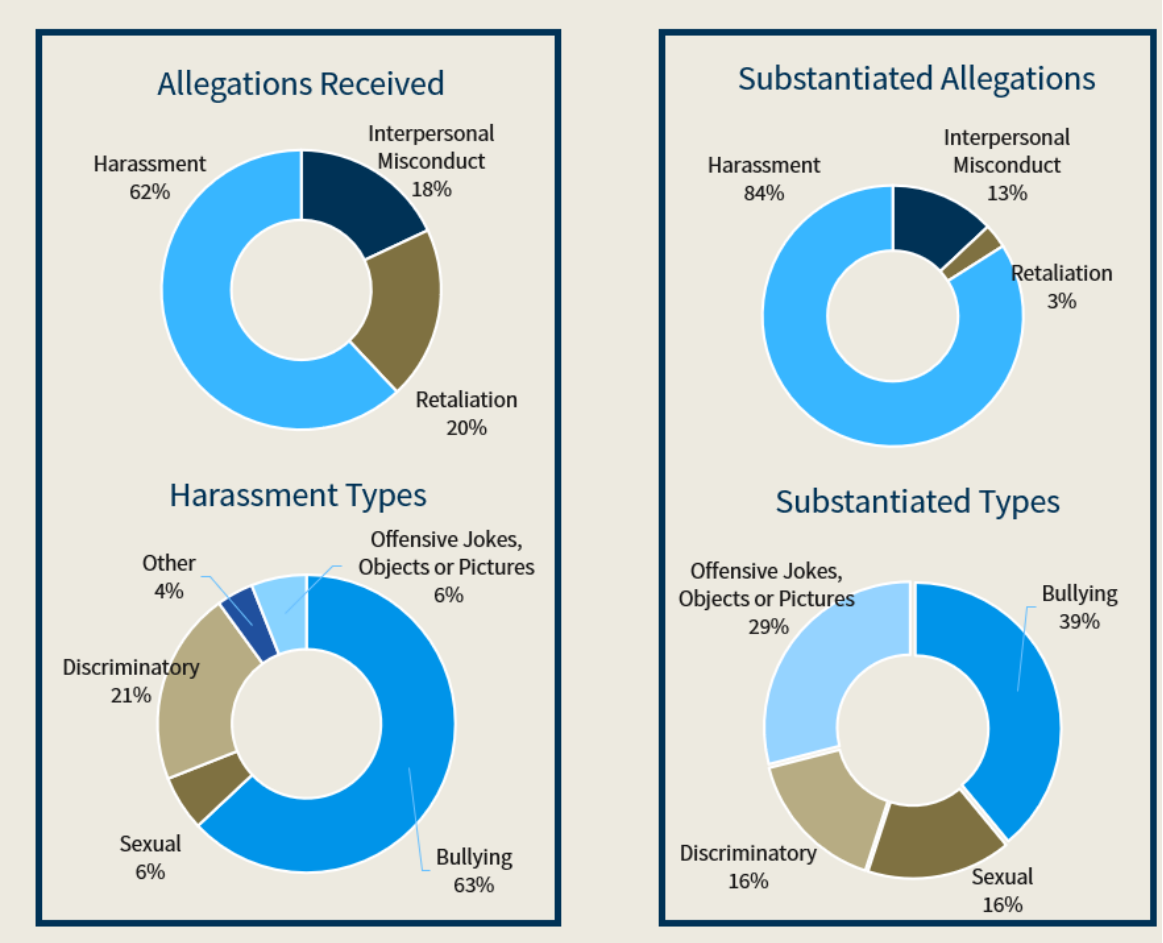
FY 2025 Misconduct Cases

Type	Total
Number of Cases	504
Number of Cases Concluded	387
Less -- Duplicate/Manager Reporting*	39
• Substantiated**	122 (35%)
• Unsubstantiated	100 (29%)
• Out of Scope (i.e., where we have not investigated) (e.g., performance only)	66 (19%)
• Complainant Withdrawal***	60 (17%)

* Some cases were reported by multiple sources (e.g., a complainant and a manager).
** There may be multiple cases against a single individual for different misconduct.
***Several complainants withdrew cases that they filed because the subject had left the FDIC and the harassment stopped.

[12] For individuals who took the DRP, Office of Personnel Management guidance instructed agencies not to take disciplinary action against individuals who accepted the DRP, unless that individual violates their DRP agreement.

The following graphic presents a further breakout of the data for harassment and interpersonal misconduct cases:



Other Actions to Reform FDIC Culture

The FDIC has also taken a range of other steps to improve our culture and fix the broken processes of the past. A few key initiatives are listed below.

Improved Anti-Harassment Training

Historically, the FDIC did not conduct regular training on sexual harassment, other interpersonal misconduct, and retaliation, and the training that did occur did not include sexual harassment-specific content. Additionally, the FDIC did not routinely analyze the training to determine if the material remained relevant. In 2024, the FDIC rolled out new

mandatory training for all employees, but the training received negative feedback from employees and our Transformation Monitor,[13] who described the training as overly legalistic, too long, hard to understand, and unclear regarding what was permissible and how to report misconduct.

In 2025, the FDIC developed new training for all staff, which is shorter, clearer, and more focused on identifying, preventing, and reporting interpersonal misconduct. The training, which became available for employees this past summer, reinforces the updated policies and procedures that address how to identify, prevent, and report misconduct, and includes real-world scenarios for managers and employees. This training is required for all FDIC employees and managers on an annual basis and consists of a 30-minute web-based training and a 1-hour live training session. 83% of employees have completed the training thus far, and the feedback we have received includes:

- 93% of employees said they know how to report experienced or observed harassment, retaliation, and interpersonal misconduct to OPC.
- 90% of employees said the course was informative about what to expect during the OPC complaint process for harassment, interpersonal misconduct, and retaliation.
- 98% of managers said they understand their responsibilities to report harassment, retaliation, and interpersonal misconduct to OPC.

The FDIC is developing a training assessment plan to evaluate the new, required training and incorporate feedback into next year's course. To reinforce the content of the training, OPC and OEEO leaders are attending division and office all-hands meetings and briefing employees and managers on the new processes, and offering additional real-world examples of harassment, interpersonal misconduct, discrimination, and retaliation.

New Intake Process

The FDIC's former intake process for misconduct complaints was deeply flawed. As the Cleary Report noted in the first paragraph of its report, *"[w]e also find that a patriarchal, insular, and risk-averse culture has contributed to the conditions that allowed for this workplace misconduct to occur and persist, and that a widespread fear of retaliation,* ***as well as a lack of clarity and credibility around internal reporting channels****, has led to an*

[13] In August 2024, the FDIC hired Carrie Cohen of Morrison Foerster to serve as an independent monitor to review the FDIC's culture transformation efforts. *See* FDIC Press Release, FDIC Board Selects Carrie H. Cohen as Independent Monitor to Support Cultural Transformation (Aug. 21, 2024).

underreporting of workplace misconduct over the years."[14] Employees were often confused where and how to report complaints, which was a key reason that incidents often went unreported, as multiple offices were responsible for the anti-harassment program.

We have established new intake processes to address these concerns. The intake process for harassment, interpersonal misconduct, and retaliation for reporting those issues is centralized in OPC, and the intake process for EEO complaints is centralized in OEEO. These intake processes have a staff point of contact who is knowledgeable about their respective offices and programs and remains engaged with the complainant throughout the process. These points of contact are also knowledgeable about, and provide information to the complainant regarding, the various support resources available to FDIC employees, including the WorkLife Connections, which is the FDIC's program that offers clinical counselors to employees free of charge. OPC's intake process also allows an individual to file a complaint confidentially or anonymously, addressing concerns related to retaliation for raising complaints. OPC and OEEO also respond back to complaints in a timely manner, which is generally within two business days or less.

Improved Safety and Security at the FDIC Student Residence Center

The FDIC's Student Residence Center (SRC) was the scene of several incidents described in the Wall Street Journal stories and the Cleary Report.[15] In response, we established a code of conduct for the SRC that all visitors must sign, which includes a prohibition on alcohol consumption in any common areas and a prohibition on loud or disruptive "gatherings or parties" anywhere, including in guest rooms. We also increased security guard presence, closed after-hours access to the SRC roof balcony, and established a Dean of Students role to serve as a point of contact for SRC residents attending Corporate University training courses. Allegations of harassment and other interpersonal misconduct at the SRC are also required to be reported to OPC by FDIC managers to ensure that they are reviewed, investigated, and, if allegations are substantiated, result in discipline and accountability.

[14] *See* Cleary Report, *supra* note 2, at 1.
[15] *See, e.g., id*. at 109 ("Some FDIC employees have reported that there is a culture of 'partying' at the Seidman Center (or the Student Residence Center), which is the FDIC-owned training campus in Arlington, VA that includes both classrooms and lodging.").

Comprehensive Policies and Procedures

Historically, the FDIC did not have clear policies and procedures that govern its Anti-Harassment Program. The FDIC lacked an anti-fraternization policy, lacked an anti-retaliation policy, and lacked a clear, effective, and comprehensive anti-harassment directive. In response, we have developed new Directives for the Anti-Harassment Program, Anti-Retaliation and Whistleblower Protection Rights, and Personal Relationships in the Workplace. These policies and procedures bring FDIC into alignment with EEOC guidance and best practices. For example, we made substantial revisions to the Anti-Harassment Directive, including adding requirements that managers report harassment to OPC within two business days and enabling individuals to file complaints with OPC confidentially or anonymously.

Additionally, OPC has also developed standard operating procedures (SOP) to ensure consistency and impartiality in its process. OPC's SOP for Intake and Investigations ensures that complaints are processed appropriately and investigations are conducted in a thorough manner. OPC's SOP for Actions and Litigation outlines steps on how, if allegations are substantiated, OPC will determine, take, and defend actions, including discipline. Both SOPs codify the firewall built into OPC that ensures that staff working on investigations do not also advise on or participate in the development of disciplinary or other actions against a subject. OEEO has also developed SOPs to ensure fairness and neutrality in the acceptance and dismissal of EEO complaints, the investigatory process, and the issuance of Final Agency Decisions. These SOPs ensure that investigations are conducted in a fair and unbiased manner, and that, if allegations are substantiated, the FDIC takes consistent and appropriate action.

Improved Recordkeeping

Prior to 2025, the FDIC lacked an effective tracking system for misconduct complaints, and the data was unreliable. We have gone back to validate historical data to the extent feasible (though much of the data remains unreliable), and have developed an interim solution for tracking existing complaints. We are also working on a new case management system with more robust reporting capabilities, which we expect to be operational early next year. An effective tracking system allows us to have a centralized repository of complaints, investigations, and disciplinary actions, and will enable us to identify trends and patterns. For example, if we see a disproportionate number of cases come from a certain Regional or Field Office, we know that Office has a deeper problem that needs to be addressed, and we can address such issues proactively before problems fester.

Improved recordkeeping also enables us to be more transparent with the workforce. In April 2025, OPC began publishing quarterly data on the FDIC's internal website, including aggregated information on allegations, case status, and actions taken in response to substantiated findings.

Incorporated Culture into Performance Reviews

To reinforce the importance of a harassment-free culture, we have incorporated a workplace culture standard into our performance management program, and have revised performance reviews for all executives and managers to include assessments of the individual's compliance with the FDIC's values and our Code of Workplace Conduct. We have also implemented a new policy that requires any substantiated misconduct allegations to impact an employee's ability to receive awards and bonuses. If an employee receives an adverse action (such as a suspension or removal), the employee is not eligible to receive any award or bonus during the rating cycle in which such discipline is imposed.

Conclusion

Reestablishing a strong workplace culture is—and will remain—a top priority. It is the first of the 2025 FDIC Performance Goals that the agency adopted in June. My first global message to staff upon becoming Acting Chairman in January reaffirmed my commitment to seeing the culture transformation through. I noted in my message that, "*For too long, the FDIC did the easy thing rather than the right thing, failed to hold people accountable, and lost the trust of the workforce.*" We are continuing to work to rebuild that trust today. I also noted in my message, *"[A]t the end of the day, our success will be based on results on the ground. Are people who engage in misconduct held accountable, following a fair, credible, and timely process?*" Consistent with your remarks at the hearing last week, employees must see that individuals who engage in misconduct are held accountable and that the process is fair.

I sent the workforce another message in August again reaffirming my commitment to strengthening the culture. I wrote, "*As we look to the future, maintaining and reinforcing a strong workforce culture – where employees are encouraged to share ideas, respect and listen to one another, work collaboratively, and value each other's contributions – will remain a top priority.*"

I have also hosted a series of town halls with all of the FDIC's Divisions and Offices in Washington DC and in numerous FDIC offices across the country, where I have addressed workplace culture issues and answered employee questions. I also hold regular recurring meetings with OPC and OEEO leadership and with the FDIC's Transformation Monitor, among many other meetings on culture transformation efforts, to monitor implementation of reforms.

We greatly value your interest in these issues and in the well-being of the FDIC's workforce. We welcome your oversight and are happy to provide additional information if it would be helpful.

Travis Hill
Acting Chairman