offices of Silicon Valley Bank and
Signature Bank were no ordinary failures
in less than a day Silicon Valley Bank
customers pulled 42 billion dollars out
of the bank fueled by Venture
capitalists in their social media
accounts they created the largest and
fastest Bank Run in history in the
following days Signature Bank lost 17
billion dollars Regulators both
Republicans and Democrats came together
to prevent the Panic from spreading they
increased liquidity They promoted
confidence in our banking system they
protected the deposits of customers in
small businesses not notably the
investors the Investments of Executives
and shareholders I spent that weekend on
the phone with Ohio small businesses and
Banks and Credit Unions Ohio small
business owners simply wanted to make
payroll they didn't want to see years of
hard work go down the drain because of
venture capitalist Panic panicking on
Twitter 2 000 miles away one woman told
me she was terrified you wouldn't be
able to pay her workers the next week
and I heard that story over and over
Ohio Banks and Credit Union institutions
institutions that are sound and well
capitalized didn't want to see deposits
flee their institutions for the biggest

Wall Street banks for anyone who lived
through the global financial crisis it's
impossible not to think of 2008. once
again small businesses and workers
feared they would pay the price for
others others bad decisions we're left
with many questions and Justified anger
toward Bank Executives and Boards toward
Venture capitalists toward Federal and
State Bank Regulators toward policy
makers
the scene of the crime does not start
with The Regulators before us instead we
must look inside the bank at the bank
CEOs at the Trump era banking Regulators
who made it their mission again to give
Wall Street everything it wanted
Monday morning quarterbacking aimed only
at the actions of regulators this month
is as convenient as it is misplaced
coming from those who never met a Wall
Street wish list they didn't want to
Grant
many who are the first to scold The
Regulators for their failures offer
ready ears whenever Bank CEOs line up at
their offices complaining about out of
control Bank examiners remember some of
those complaints in our hearing with Fed
chair Powell over the FED merely
reviewing Capital just three days before
Silicon Valley Bank failed how soon we

choose to forget
when we ask who should have known how
the risks were building in these Banks
we should start at the source with the
executives Silicon Valley Bank almost
quadrupled in size over three years
Signature Bank more than doubled in that
time the principles here aren't
complicated Banks should be prudently
managed should be mindful of the full
scope of risk they face should diversify
across companies and products the
committee must consider how these Banks
exploded in size in a way that was
clearly unsustainable some explanations
will focus on complicated sounding
Concepts like balance sheets balance
risk and moral hazard and stress tests
and liquidity set liquidity ratios
really though it comes down to more
basic concepts hubris entitlement greed
and always always always with big
paydays at the end for the executives at
the top the CEO's own pay was tied
directly to the growth of svb at svb
executive bonuses were pegged to return
on Equity so they took more Risk by
buying assets with higher yields to make
higher profits when those Investments
started to lose money they didn't back
down it won't surprise anyone that
Silicon Valley Bank went nearly A Year

Without a chief risk officer Venture capitalists fueled the bank's growth by forcing the companies they invested in and advised to keep their money at silicon bank and then those same VCS turned around and sparked the bank run by telling the companies to pull their money out creating more chaos more panic Signature Bank found itself in the middle of a Sam Bank when Freed's crime spree at the crypto exchange FTX the bank let him open multiple accounts they ignored red flag after Red Flag it's all just a variation in the same theme the same root cause of most of our economic problems wealthy Elites do anything anything to make a quick profit and pocket the rewards and win their risky Behavior leads to catastrophic failures they turn to the government they turn to the government asking for help expecting workers and taxpayers to pay the price and too often workers do even though no taxpayer money is being used to save these deposit results I understand why Americans are angry even discussed it at how quickly the government mobilized when a bunch of Elites in California were demanding it people have a pretty good sense of whose problems get taken more seriously than others in this town of course we have to prevent systemic

threats to the economy but corporate
trade deals are a systemic threat to
towns like grew up in in Mansfield Ohio
and across the industrial Midwest so as
a Wall Street so is a Wall Street
business model that rewards short-term
profits over Investments and Innovation
and workers and those threats are not
only tolerated they've been actively
pushed by the same crowd that this month
clamored for the government to save them
just as there are no atheists in
foxholes it appears that when there is a
bank crash there are no Libertarians in
the Silicon Valley
I hope that from now on those who have
no problem with government intervention
to protect their own livelihoods well
think a little bit harder about what
their warped version of the free market
has done to workers in Ohio
it may be tempting to look at all this
and say we don't need new rules the
problem was those arrogant Executives
but they'll always be on arrogant
Executives that's exactly why we need
strong rules in public servants with the
courage with the courage and guts to
stand up to bank lobbyists and enforce
those rules the official sitting board
before us today know that their
predecessors rolled back protections

like capital and liquidity standards
stress tests brokered deposit limits and
even basic supervision they green
lighted those Banks to grow and grow and
grow too big too fast they're important
questions about Deposit Insurance we
must consider whether the current amount
works for everyone including small
businesses whose real goal is to meet
payroll we expect Bank Executives to
understand the basic principles of Bank
management to know they can't grow a
bank by over concentrating business and
specialized areas and pay themselves
huge bonuses right up until things blow
up
that's not being a trusted partner to
your customers it's taking advantage of
them these Executives must answer for
their bank's downfalls I've called on
the former CEOs of those Banks those
failed Banks to test fight I thank
ranking member Scott for joining us in
that effort but they must also face real
consequences for their actions right now
none of the executives who ran these
Banks into the ground are barred from
taking other banking jobs not have had
their compensation clawed back none have
paid any fines some executive Executives
have decamped to Hawaii others have
already gone to work for other Banks

some simply wandered off into the sunset it will surprise no one in Ohio that these Bank Executives face less accountability than a cashier who miscounts the cashier's box the cash box that's that's why I'll be introducing legislation to strengthen Regulators ability to impose fines and penalties to claw back bonuses to ban Executives who cause bank failures from ever working in another bank we need to look at bank Regulators ability to not only identify risks and problems at Banks but also be empowered to actually make the banks fix them today my colleagues and I are asking GAO to follow up on a 2019 report where they highlighted communication failures and the extent to which senior Bank management fully addressed identified deficiencies I'm looking forward to hearing from our financial Watchdogs today we'll be watching them to make sure they assess the damage hold accountable those responsible fix what is broken last I asked my colleagues to work together to make sure that our financial system is stronger after this crisis Americans have watched the same pattern turn over and over and over again a crisis occurs some of us push push for reforms if we're lucky we'll be able to seize the moment and actually

pass some but then the bank lobbyists go
to work and they are so good at their
jobs politicians spend the ensuing years
rolling back reforms right up until the
next Crisis and that crisis happens
because you guessed it we rolled back
regulations in this body enabling The
Regulators to roll them back even
further we know who's the first to get
help in any crisis it's Little Wonder
it's little wonder that workers in Ohio
and around the country Don't Trust Banks
they don't trust their own government
it's time we proved them wrong ignore
the corporate lobbyists and put workers
in their families first
Senator Scott
thank you Mr chairman
today we are here to understand just how
we found ourselves in the middle of the
second and third largest bank failure in
the United States history
though our questions are nowhere near
answered this is an important first step
in providing transparency and
accountability necessary to the American
taxpayer I'd like to thank Mr chairman
for taking the time and working with me
to try to bring the bank CEOs into this
hearing I think it's incredibly
important that we hear from the folks
specifically and uniquely responsible

for the failure of these Banks the folks who manage them by all accounts this is a classic tale of negligence and it started with the banks themselves without any question that's where the buck stops so it is imperative that we hear straight from the horse's mouth so to speak to find out why these Banks were so poorly managed and so poorly manage the risks

unfortunately the bank execs aren't the only managers we're missing the Secretary of the Treasury and the chairman of the Federal Reserve are also not here to testify I don't mean to offend the witnesses that are here but it is hard to believe that Divine Administration is seriously is concerned about the failure that we're seeing when they themselves are shielding the top official at the Department of Treasury the same official that briefed the president and invoked the system risk exception nor do we have chairman Powell here instead we have the vice chair of supervision here to use the committee as a platform to talk about the wrongs under his supervision as the Federal Reserve has already announced he is conducting a review to assess any supervisory failures which is an obvious inherent conflict of interest and a

classic case of the fox guarding the hen
house the FED should focus on this
Mission and not the climate Arena this
is a waste of time attention and
Manpower all things that could have gone
into bank supervision Banks
like any other businesses must manage
their risk and be good stewards for
their customers but unlike other
businesses banks are highly regulated
sometimes Banks even have their
regulators
sitting in their Banks and continually
monitoring the risks and activities as
is the case with Silicon Valley Bank for
the last two and a half weeks The
Regulators have consistently described
Silicon Valley as unique and highly
idiosyncratic meaning the warning signs
should have been flashing red and svb
should have stood out
as what it was
absolutely a problem child clear as a
bill were the warning signs in fact
reports indicate that these warning
signs were already flashing and on March
19th the New York Times wrote that
silicon Valley's Bank
risky practices were on the Federal
Reserves radar
for more
than a year

moreover Silicon Valley suffered from
extreme interest rate risk due to
investment in long-term Securities that
declined in value because of soaring
inflation
of all our supervisors the Federal
Reserve should have been keenly aware of
the impact interest rate hikes would
have on the value of these Securities
and it should have been actively working
to ensure the banket supervisors were
heading hedging their bets and covering
their risk accordingly
but now we know based off your testimony
Mr Barr that the Fed was aware in fact
in 2021 your supervisors found
deficiencies in the bank's liquidity
and its management resulting in six
supervisory findings later in 2022
supervisors then issued three findings
related to ineffective board oversight
risk management weaknesses and the
bank's internal audit function
what were
the supervisors
thinking
the law on the regulations are crystal
clear the Federal Reserve can take any
supervisory or enforcement enforcement
action it deems necessary to address
unsafe and unsound practices recent
reports confirm what we already know

your priorities and your work with the
San Francisco Federal Reserve Bank
president Mary Daly
centered on climate change an issue
wholly unrelated to the federal
reserve's dual mandate and role of
supervisor given svb's social and
climate agenda one must ask if svb's
investments in climate cause of
regulators to be a bit more permissive
of its risks
if you can't stay on Mission and enforce
the laws as they already are on the
books
how how can you ask Congress
for more Authority with a straight face
to that end I hope to learn how the
Federal Reserve could know about such
risky practices for more than a year
and failed to take definitive corrective
action by all accounts our Regulators
appear to have been asleep
at the wheel
in addition I also hope to learn more
from the FDIC about the role in the
receivership and sale of both svb and
Signature Bank especially on the auction
and the bid process I'm very concerned
that private sector offers appear to
have been submitted and yet were denied
if Silicon Valley Bank had been
purchased before it failed the panic and

the shock to the market and the Market's
confidence we've seen over the past two
and a half weeks may have been avoided
if Silicon Valley have been purchased
over the weekend of March 10th
confidence in the marketplace may have
sustained Signature Bank and prevented
its failure the fdic's bid auction
process has been a black hole for
Congress and the American people and we
deserve answers
I know in hindsight it's 20 20. but when
you hear rumors that this process was
delayed because the White House doesn't
like mergers in any shape form or
fashion it makes you wonder what
actually is going on sometimes
but it looks like a duck
quacks like a duck
it's just a duck
as I close on this opening statement
three things remain clear
to me regarding svb first the bank was
Rife with mismanagement
second there was a clear supervisory
failure our Regulators were simply
asleep at the wheel and finally
President Biden's Reckless spending
cause
40-year high in inflation and the
country as well as the bank experienced
tremendous loss

thank you ranking member Scott I'll
introduced the three Witnesses today
Martin Gruenberg was sworn in as chair
of the Federal Deposit Insurance
Corporation board of directors January
of 2023 Michael Barr took office as Vice
chair for supervision of the Board of
Governors the Federal Reserve in July of
2022 for a four-year term he serves also
as a member of course of the Board of
Governors Nelly Liang has been the under
secretary for domestic Finance the U.S
Department of Treasury since July of
2021 thanks for all of you for joining
us in Mr brunberg if you would begin
thank you
thank you Mr chairman uh chairman Brown
ranking member Scott members of the
committee thank you for the opportunity
to appear before you today
to address the recent bank failures and
the federal regulatory response
on March 10th just over two weeks ago
Silicon Valley Banker svb as it's known
with 209 billion dollars in assets at
year end 2022
was closed by the California Department
of Financial Protection and innovation
which appointed the FDIC as receiver
the failure of svb following the March
8th Announcement by silvergate bank that
it would voluntarily liquidate signal

the possibility of a contagion effect

on other Banks

on Sunday March 12th just two days after

the failure of svb another institution

Signature Bank of New York with 110

billion dollars in assets a year in 2022

was closed by the New York State

Department of Financial Services which

also appointed the fdic's receiver

with other institutions experiencing

stress serious concerns arose about a

broader economic spillover

from these failures

after careful analysis and deliberation

the boards of the FDIC and the Federal

Reserve voted unanimously to recommend

and the treasury secretary in

consultation with the president

determined that the FDIC could use

emergency systemic risk authorities

under the Federal Deposit Insurance Act

to fully protect all depositors in

winding down svb

and Signature Bank

it's worth noting that these two

institutions

were allowed to fail

shareholders lost their investment

unsecured creditors took losses the

boards and the most senior Executives

were removed

the FDIC has authority to investigate

and hold accountable the directors and
officers of the banks
for the losses they caused and for any
misconduct in the management of the
institutions and the FDIC has already
commenced these investigations
further
any losses to the fdic's deposit
Insurance Fund as a result of uninsured
deposit insurance coverage will be
repaid by a special assessment on banks
as required by law
the FDIC has now completed the sale of
both Bridge Banks to acquiring
institutions New York Community bancorps
Flagstar Bank for signature
and First Citizens for svb
by written testimony today describes the
events leading up to the failures of svb
and Signature Bank and the facts and
circumstances that prompted the decision
to utilize the authority and the FDI act
to protect all depositors in those Banks
following those failures
further describes the management and
disposition of the bridge institutions
that were established
it also discusses the fdic's assessment
or the current state of the U.S
financial system which remains sound
despite recent events
in addition it shares some preliminary

Lessons Learned as we look back on the
immediate aftermath
of this episode
in that regard
the FDIC will undertake a comprehensive
review
of the deposit Insurance system and will
release a report by May 1.
that will include policy options for
consideration
relating to deposit insurance coverage
levels excess Deposit Insurance and the
implications for risk-based pricing and
Deposit Insurance Fund adequacy in
addition the fdic's chief risk officer
will undertake a review of the FDIC
supervision of Signature Bank and will
also release a report by May 1.
further the FDIC will issue in May a
proposed rulemaking for the special
assessment for public comment
the two bank failures the
demonstrate the implications that banks
with assets over 100 billion can have
for financial stability
the Prudential regulation of these
institutions merits serious attention
particularly for Capital liquidity and
interest rate risk resolution plan
requirements for these institutions also
Merit review including a long-term debt
requirement to facilitate orderly

resolution

recent efforts to stabilize the banking

system and stem potential contagion from

the failures of FSB and signature have

ensured that depositors will continue to

have access to their savings

the small businesses and other employers

can continue to make payrolls and that

other Banks small medium and large can

continue to extend credit to borrowers

and serve as a source of support

the FDIC continues to monitor

developments and is prepared to use all

of its authorities as needed

the FDIC is committed to working

cooperatively with our counterparts at

the other Federal Regulators as well as

with policy makers in the Congress to

better understand what brought these

institutions to failure and what

measures can be taken to prevent similar

failures in the future that concludes my

statement and I'd be glad to respond to

questions thank you Mr Barr you're

recognized thank you

chairman Brown ranking member Scott

other members of the committee thank you

for the opportunity to testify today on

the federal reserve's supervisory and

Regulatory oversight of Silicon Valley

Bank

our banking system is sound and

resilient with strong capital and
liquidity
the Federal Reserve working with the
treasury Department and FDIC took
decisive actions to protect the U.S
economy and to strengthen public
confidence in the banking system
these actions demonstrate that we are
committed to ensuring that all deposits
are safe
we will continue to closely monitor
conditions in the banking system and are
prepared to use all of our tools for any
size institution as needed to keep the
system safe and sound
at the same time the events of the last
few weeks raise questions about what
more can be done and what more should be
done so that isolated banking problems
do not undermine confidence in healthy
Banks and threaten the stability of the
banking system as a whole
at the Forefront of my mind is the
importance of maintaining the strength
and diversity of banks of all sizes that
serve communities across the country
svb failed because the bank's management
did not effectively manage its interest
rate and liquidity risk
and the bank then suffered a devastating
and unexpected run by its uninsured
depositors in a period of less than 24

hours
immediately following svb's failure
chair Powell and I agreed that I should
oversee a review of the circumstances
leading up to svb's failure
in this review we are looking at svb's
growth and management our supervisory
engagement with the bank and regulatory
requirements that applied to the bank
the picture that has emerged thus far
shows svb had inadequate risk management
and internal controls that struggled to
keep Pace with the growth of the bank
supervisors began delivering supervisory
warnings near the end of 2021.
a review will consider whether these
supervisory warnings were sufficient and
whether supervisors had sufficient tools
to escalate them
we are also focusing on whether the
Federal Reserve supervision was
appropriate for the rapid growth and
vulnerabilities of the bank
while the federal reserve's framework
focuses on size threshold size is not
always a good proxy for risk
particularly when a bank has a
non-traditional business model
turning to regulation we are evaluating
whether application of more stringent
standards would have prompted the bank
to better manage the risk that led to

its failure
staff are also assessing whether svb
would have had higher levels of capital
and liquidity under those standards and
whether such higher levels of capital
and liquidity could have forestalled the
bank's failure or provided further
resilience to the bank
we need we need to move forward with our
work to improve the resilience of the
banking system including the Basel III
endgame reforms a long-term debt
requirement for large Banks and
enhancements to stress testing with
multiple scenarios so that it captures a
wider range of risk and uncovers
channels for contagion like those we saw
in the recent series of events
we must also explore changes to our
liquidity rules and other reforms to
improve the resilience of the financial
system
in addition recent events have shown
that we must evolve our understanding of
banking in light of changing technology
and emerging risk
heart of the federal reserve's core
mission is to promote the safety and
soundness of the banks we supervise as
well as the stability of the financial
system to help ensure that the system
supports a healthy economy for U.S

households businesses and communities
deeply interrogating svb's failure and
probing its broader implications is
critical to our responsibility for
upholding that mission
thank you and I look forward to your
questions
Mr Barr Ms Liang nice to see you thank
you for being here
thank you chairman Brown ranking member
Scott other members of the committee
thank you for inviting me here to
testify and for the opportunity to speak
several times in recent days to share
updates from treasury regarding current
events
the American economy relies on a healthy
and diverse banking system one that
includes large small and mid-sized Banks
and provides for the financial needs of
families businesses and local
communities
nearly three weeks ago problems emerged
at two banks with the potential for
immediate and significant impacts on the
broader banking system and the economy
the situation demanded a swift response
in the days that followed the federal
government took decisive actions to
strengthen public confidence in the U.S
banking system and to protect the U.S
economy

on March 9th depositors at Silicon
Valley Bank withdrew 42 billion dollars
in deposits in a period of just a few
hours
after concluding that significant
deposit withdrawals would continue the
next day the California state regulator
closed SBB and appointed the FDIC as
receiver
two days later the New York regulator
closed Signature Bank which also had
experienced a depositor run and
appointed the FDIC as receiver
treasury worked to assess the effects of
these failures on the broader banking
system Consulting regularly with the
Federal Reserve and FDIC
on Sunday evening recognizing the
urgency of reducing uncertainty for
Monday morning treasury the Federal
Reserve and the FDIC announced a number
of actions to stem uninsured deposited
runs and to prevent significant
disruptions to households and businesses
first the boards of the FDIC and the
Federal Reserve recommended unanimously
and secretary yellin approved after
Consulting with the president two
actions that would enable the FDIC to
complete its resolutions of the two
banks in a manner that fully protects
all of their depositors

these actions ensured that businesses could continue to make payroll and the families could access their funds depositors were protected by the deposit Insurance Fund Equity holders and bondholders were not protected

second the Federal Reserve created the bank term funding program a new facility to provide term funding to all insured depository institutions eligible for primary credit at the discount window based on their Holdings of Treasury and government agency securities

this program along with the pre-existing discount window has helped Banks meet depositor demands and bolstered liquidity in the banking system

this two-pronged targeted approach was necessary to reassure depositors at all banks and to protect the U.S banking system and economy

these actions have helped to stabilize deposits throughout the country and provided depositors with confidence that their funds were safe

in addition to these actions on March 16 11 Banks deposited 30 billion dollars into First Republic Bank the actions of these large and mid-sized Banks represent a vote of confidence in the banking system and demonstrate the importance of banks of all sizes working

to keep our economy strong
moreover on March 20th deposits in
certain assets of signature Bridge bank
were acquired from the FDIC and on March
26th the deposits in certain assets of
Silicon Valley Bridge bank were acquired
from the FDIC
we continue to closely monitor
developments across the Banking and
Financial system and to coordinate with
the federal and state regulators as
secretary yellin has said we have used
important tools to act quickly to
prevent Contagion
and they are tools we would use again to
ensure that Americans deposits are safe
looking forward while we do not yet have
all the details about the failures of
the two Banks we know that the recent
developments are different from those of
the global financial crisis
back then many financial institutions
came under stress because they held low
credit quality assets
this was not at all the Catalyst for
recent events our financial system is
significantly stronger than it was 15
years ago this is in large part due to
the post-crisis reforms for stronger
capital and liquidity
as you know the Federal Reserve
announced a review of the failure of svb

and the FDIC a review of Signature Bank
I fully support these reviews and look
forward to learning more in order to
inform any Regulatory and supervisory
responses we must ensure that our bank
regulatory policies and supervision are
appropriate for the risks and challenges
that Banks face today
thank you to the committee for its
leadership on these important issues and
for inviting me here to testify I look
forward to your questions uh thank you
Mr Lang I and almost every member of
this committee will be here today on
both sides of the aisle make your
answers as brief and as quick as you
possibly can so thank you for that in
2019 by votes of four to one and five to
one uh now chair of the NEC Leo Brainerd
the only decenter in every one of those
votes the FED rolled back stronger rules
and was responsible for supervising
silicon Bank Mr Vice chair Barr did the
FED drop the ball because it didn't see
the risk that was building
uh thank you chairman Brown for that
question of fundamentally the bank
failed because its management failed to
appropriately address clear interest
rate risk and clear liquidity risk that
interest rate risk and liquidity risk
was cited was highlighted by the

supervisors of the firm beginning in
November of 2021
the the board and uh and sorry the
Federal Reserve Bank brought forward
these uh problems to the bank and they
failed to address them in a timely way
that exposure led the firm to be highly
vulnerable to a shock and that shock
came on the evening of Wednesday March
8th when it vary belatedly attempted to
adjust its liquidity position
and reported losses on its available for
sale Securities the market reaction to
that was quite negative and that
eventually on Thursday sparked a
depositor run
so some of their practices appear to
have violated the basic principles of
banking 101 concentration risk of
Reliance on uninsured deposits
inadequate liquidity poor risk
management the list goes on how poorly
managed was managed was this Bank
supervisors had raided uh the bank at a
very low rating normally we would not be
describing these matters confidential
matters but given that the firm failed
and triggered a systemic risk uh
determination I'm prepared to talk about
that confidential information that the
firm was rated a three in the camel
scale which is not well managed and at

the holding company level it was rated deficient which is also clearly not well managed hey thank you chair Gruenberg I heard from many small businesses over that weekend who had money in svb and were worried about making payroll in Ohio making payroll as a result of the failure I heard from Ohio small Banks and Credit Unions worried about deposits leaving their institutions I know that I'm not unique many of my colleagues from both sides of the aisle heard those same concerns in their state given the unprecedented scale of the bank run what would have been the impact when small Banks and small businesses Across the Nation if you and other Regulators had not taken action to protect depositors at svb and Signature Bank

uh Senator that was our Central concern I think the evidence suggested from the sequential failures of

first Silicon Valley and then signature that there was a significant risk of contagion to other institutions and in fact over that weekend you know we were seeing serious stress at other institutions and I think that and the potential knock-on effects

of that contagion is really what led the Federal Reserve board and the FDIC board unanimously to recommend to the treasury secretary you're saying the actions taken were the least bad option for small businesses and Banks Across the Nation if you hadn't acted that way you think there would have been a contagion I think there would have been a contagion and I think would be in a in a worse situation today with consequences for the uh actors in our economic system Regulators Republicans Democrats all across the board there was agreement on on those actions yeah under secretary Lang do you agree with that

Senator Brown I do agree with that I think

um the actions that were taken have been working to stabilize deposits had they not been taken the runs by uninsured depositors from many small and Regional sized Banks and mid-sized Banks would have intensified and caused serious problems for small Banks liquidity and their ability to support small businesses

thank you and if you can answer this really briefly because I don't want to go over my five minutes uh Mr ruined chair grunberg the FDIC announced the sale of svb and to First Citizens Bank and Trust from Senator Tulsa's North Carolina estimated will cost the deposit Insurance Fund approximately 20 billion

dollars how's that cost covered
oh that is required by law and I
indicated in my opening statement the
FDIC has to impose an assessment on the
banking industry uh to cover the cost of
a coverage for any uninsured deposits
and I would note that the law provides
the FDIC Authority in implementing that
assessment to consider the types of
entities that benefit from any action or
assistance provided and as I also
indicated in my statement we expect to
issue a notice of proposed rulemaking
for public comment in May to implement
the assessment thank you and I would
point out on your testimony and your
answer there there are no tax dollars
nothing funded through the Congressional
Appropriations process Senator Scott
thank you Mr chairman
what is the future
of regional banking
sure yeah
I think we have a strong set of
regional banks in the United States I
think it was
and as a general matter their liquidity
has remained stable through this episode
and I think it was a good indication
frankly that in the two failed
institutions in both of those cases the
strongest bids we received to acquire

those failed institutions were from two
other Regional banks that had the
capability
and strategic business interest to
acquire them so there are a lot of
cautionary lessons to be learned from
the senator I completely agree with that
and we're going to need to carefully
review this episode but as a general
proposition I think the regional banks
in the United States remain a a source
of strength for the system
I'd say I I walked in on the Chairman's
comments about the actions that were
taken the weekend of the March 9th and
how how important it was and and the
importance of making sure we get credit
for for doing something that actually I
I thought could have been avoided
frankly I thought it could have been
avoided
if we had someone in the private sector
make the decision to buy the bank buy
the assets
had that been done on Friday March the
10th
I think we could have literally
eliminated the Fiasco that we saw over
the weekend were there
folks
interested in buying Silicon Valley Bank
on Friday the senator just to be clear

before the bank failed on an open institution basis after oh after the failure on a closed basis yes we had expressions of Interest I mean remember this was a very rushed process if I may say the you know the bank failed on Friday morning we had to uh the the other institution failed over the weekend we had to set up two Bridge institutions to manage those failed Banks to your point though we had expressions of Interest we quickly set up a bidding process that we ran on Sunday we received two bids one wasn't valid because it had not been approved by the board of the bank and the other after we evaluated it indicated that it was more expensive than the liquidation of the institution would have been to the FDIC so matter of fact we did not have an acceptable bid and it was really a determination that we made to try to set up two Bridge institutions to manage for a short period of time these two failed Banks and then to organize a bidding process an open bidding process for both institutions which we ultimately were able to implement successfully and sell a signature bank um

previous weekend two weekends ago and then to sell svb this past weekend

are you suggesting that the
fact that the board had not approved the
decision off the offer that was on the
table was the primary reason why you
turned down that offer I was one of the
bids as a matter of we were required for
a bank to make a valid offer for the
board of the bank to approve the office
yes that was the primary reason why you
did not go for that for that bit of the
other bid did not have that issue but
the other bid was
um
um
more costly than liquidation would have
been
so you're suggesting that a private
sector engagement would have increased
the cost not decrease the cost and at
that point I think in part because it
takes a bit of time
for this was a substantial institution
it takes some time for a bank to do
appropriate due diligence to evaluate
the assets and liabilities
and to make a an informed bid for the
institution and I think as a practical
matter that was difficult to do given
the compressed time frame over that
initial weekend I think that's why we
set up the bridge institutions to try to
put in place quickly and orderly bidding

process or any interested party could
submit a bid have an opportunity to do
due diligence in order to evaluate the
institution and to make an informed and
informed bid I think we were ultimately
able to do that for both of these failed
institutions I'll just say with my
remaining time to look forward to the
second round of questions but I will say
without question that if we would have
had a better private sector engagement
with quicker action from
from the feds I think we could have
avoided the the concept that rushed us
to a decision which was a concern of
contagion in part that could have been
avoided if we had had a decision made on
Friday if there were private sector
folks willing to make a decision but I
will have an opportunity hopefully on
the second round
thank you um Senator Warner from
Virginia welcome thank you Mr chairman
and thank you for having us hearing it's
it's good to see all of you
um
a couple weeks ago when we were in a
finance committee hearing I asked
secretary yellin that I thought it was
very important that we try to get all
the facts out about what happened here
I very much appreciate uh Vice chairman

Barr you taking on this unenviable task
of sorting this out
um because I've got real questions was
this a
Regulatory and Bank management failure
or was it a as some particular my side
of the aisle have indicated was it a
statutory failure
if it was a statutory failure and an
additional
test or activity was needed I'm all for
putting it in place
but my operating premise at this point
is
you know if this had been not a 200
billion dollar bank but a five billion
dollar Bank
that
Management's mistakes not having a risk
office or other items
and failure of basic Prudential
regulation should have caught this we
had two Chief Regulators a state
regulator that at some point Mr chairman
helped we would get in front to where
were they and obviously the San
Francisco Fed so I'm gonna be very
interested in making sure we get to the
bottom of this think some of the things
you've already pointed out if I share
bar is the bank's business
concentrating in one industry an

industry that I used to be part of
um but the fact that there was such high
concentration of counterparty risk my
understanding 10 depositors alone had
about 13 billion dollars of deposits
again it seems to me interest rate
mismanagement is banking 101
and again even that five billion dollar
bank they should have been called out
I also think the speed I've often cited
the fact that the largest bank failure
we've seen was WAMU back in the crisis
16 billion dollars left that bank over a
10-day period
in this case
42 billion dollars the equivalent of 25
cents on every deposit went out in six
hours I'm not sure at that point
what regulatory structure could have
prevented that
and at least from reports it seems to me
that and I say this is somebody used to
be in the VC industry some of the very
VCS who who banked for a long time at
svb may have started this run
and demanded all of their ancillary
countries companies all go out at once
so vicer and bark can you take us
through with a little more detail
starting Wednesday night through Friday
afternoon how this happened how we got
here and what you're what you've seen so

far

uh thank you very much Senator uh I'll

start where you did which is this is a

textbook case of of Bank mismanagement

uh the the risk the bank face interest

rate risk and liquidity risk those are

better and better banking issues

the The Firm was quite aware of those

issues they had been told by Regulators

investors were talking about problems

with interest rate and liquidity risk uh

publicly and they didn't take the action

necessary they were quite vulnerable to

risk uh to shocks and they didn't take

the actions necessary to meet that

what happened on Wednesday night is they

belatedly attempted to to improve their

liquidity position and they did it in a

way that that spooked investors that

spooked depositors that spooked the

market

nonetheless on Thursday morning things

appeared calm according to the bank's

report to supervisors but later Thursday

afternoon deposit outflows started and

by Thursday evening

we learned that more than 42 billion

dollars as you had indicated had rushed

out of the bank

um that's an extraordinary pace and

scale

Federal Reserve Bank staff worked with

the bank through the afternoon evening
and and overnight to try and find enough
collateral that the Federal Reserve
could continue discount window lending
against
uh on on Friday morning it appeared that
it might be possible uh to meet the
outflow that was expected the day before
but that morning the bank let us know
that they expected the outflow to be
vastly larger uh based on client
requests and what was in the queue a
total of a hundred billion dollars uh
was scheduled to go out the door that
day the bank did not have enough
collateral to meet that and therefore
they were not able to actually meet
their obligations to pay their
depositors over the course of that day
and and they were shut down
Senator krapo is recognized from Idaho
thank you very much Mr chairman uh in
your testimony Mr Barr you indicated
that you were going to be in one of the
aspects of what you're working on you're
going to be looking at whether more
stringent standards are needed and I
want to follow up on Senator Warner's
questions relating to this argument that
has been put out there I think as a part
of the blame shifting game and there's a
lot of that going on right now

that it was a statutory failure
that brings us to the 2018 reforms 21
Senate Bill 2155 and I just want to read
to you a couple of
sentences out of Senate bill 2155. with
regard to the question of whether that
legislation prohibited our federal
Regulators in particularly the fed from
doing anything they needed to do with
regard to applying the appropriate
strict standards and to start out with I
will read what what Senate Bill 2155 did
was to stop a one-size-fits-all system
and mandate by using the changing the
word may to shall mandate that the
Federal Reserve tailor its regulations
to the risk and so forth I want to read
the language it mandates that the
Federal Reserve
differentiate as it tailors
differentiate among companies on an
individual basis or by category taking
into consideration their capital
structure riskiness complexity Financial
activities including Financial
activities of their subsidiaries size
and any other risk-related factors that
the Board of Governors deems appropriate
and then at the conclusion of the
statute
but that section of the statute it makes
it crystal clear and this is the

statutory language
nothing in subsection a shall be
construed to limit the authority of the
Board of Governors of the Federal
Reserve System in prescribing Prudential
standards under this section
or any other law to tailor or
differentiate among companies on an
individual basis or by category taking
into consideration their capital
structure riskiness complexity Financial
activities including Financial
activities of their subsidiaries size
and any other risk-related factors that
the Board of Governors deems appropriate
and I could go on with multiple times
that language was repeated my question
to you is was there any statutory
restriction faced by the federal Board
of reserves as it issued its regulations
on tailoring that would have prohibited
them from applying the strictest
standards they could to address the
Prudential needs of our banking system
uh thank you Senator uh crapo I agree
with you there was a substantial
discretion
um under that act for the Federal
Reserve to put in place tailoring rules
that were different from the tailoring
rules that it put in place uh in in 2019
I think there is still to this day a

substantial discretion uh in changing those by notice and comment rulemaking that's one of the areas that we'll be looking at in our review whether there should be appropriate changes there are some areas for particularly for smaller firms firms between 50 and 100 billion where the ACT is more prescriptive but for the firms of the category that we're addressing today there's substantial discretion for the Federal Reserve to change those rules in a way that is supportive of safety and soundness and financial stability thank you and I appreciate your answer you said recently that the bank failed referring to svb as the public began to focus on changes in values of Securities in the banks held to maturity account that's correct right my question to you there is uh did did the standards on that risk that are used for supervision were those changed at all in Senate Bill 2155 in 2018. the the standards for Capital rules are determined by the bank agencies the bank agencies made a decision to
um for smaller categories of these large Banks to not require the pass-through of aoci into the capital structure but that was a decision that is um uh available to be altered by the discretion of the bank agency and was not mandated by

2155. uh no it was not mandated by 2155.
last question is under the current
standards that are applied with regard
to Capital was
svb adequately capitalized
uh prior to uh yes prior to its failure
it was categorized under current capital
rules as well capitalized all right
thank you very much thanks Senator great
post Senator Cortez masto from Nevada is
recognized thank you Mr chair thank you
all three of you for being here
um Vice chair and Barr let me let me
start with you you've talked about how
the Federal Reserve is undergoing an
investigation
um to determine whether the Federal
Reserve actually failed in this instance
is the Federal Reserve the appropriate
body to conduct this investigation or
should we have an independent
investigation uh thank you Senator it's
a terrific question we describe what
we're doing as a review we're reviewing
our own practices I think it's an
important part of risk management to do
self-assessment I think it would be
irresponsible and imprudent of us not to
do self-assessment we're going to take
that very seriously we're going to be
thorough we're going to be transparent
and we're going to be far-reaching in

that self-assessment I also think it's appropriate for Outsiders to have independent reviews and we expect and welcome independent reviews of our actions and if the if you uncover in your investigation that the Federal Reserve failed here and some of its supervisory roles will you make that public yes we intend to make our report fully public on May 1st and that report will include normally it's not our practice to include but that report will include confidential supervisory information such as the exam reports and in the scope of your review you identify the scope of that review in your written testimony is there anything in addition that's not in your written testimony that you will be reviewing here in that scope uh thank you Senator I've asked the staff to be
um uh far-reaching so if they determine that an issue should be in scope they have full discretion to put that issue in scope and to address it in the review so there there are no limitations on their ability to review how the Federal Reserve conducted its supervision and the regulatory oversight of the firm thank you and then one final thing because there's been a lot of discussion about the previous uh rollback of some

of the regulation in in votes in this body uh just recently if you find that that change in the law impacted the federal reserve's ability to conduct the appropriate tests based on the tiering of the bank's assets would you be forthcoming with that and and say so yes we intend to describe where we think supervisory and Regulatory failings occurred if changing those to make them what we think is the right standard would require an act of Congress we will say so in that review and then chairman uh Gruenberg same to you you're conducting a scope of the FDIC are you comfortable that you can conduct that and be transparent and accountable or should there be an independent body looking at this I think there's room for both as Michael indicated I think it's important for each of our agencies to look internally at our supervision of these institutions and draw lessons from it in our case we've asked our chief risk officer who's not directly involved in the supervision process and has whose role is to evaluate risk at the FDIC to undertake this internal review of our supervision of Signature Bank thank you and then there's been a lot of talk in the media about the executive salaries about the executive bonuses about the the sale of stock let me ask um the three of you my first question is what Authority do you have to claw back any of those bonuses or the executive pay or even deal with the the sell of the stock and maybe Mr Greenberg let's start with you and then go down thank you Senator you know as I indicated in my uh opening statement the FDIC for every failed institution is required to undertake an investigation of the conduct of the members of the board the management of the institution as well as professional service providers and other institution-affiliated parties we've already begun that investigation and we have significant Authority under the law depending on the findings of the investigation to impose civil money penalties restitution and as well bar individuals from the business of banking so the authorities are substantial and we're going to pursue this as expeditiously as we can I know there's interest we don't we do not have under the Federal Deposit Insurance act explicit Authority for clawback of compensation we can get to some of that with our other authorities we have that specific Authority Under Title II of the Dodd-Frank Act if you are looking for an additional Authority specific Authority

Under the FDI act for clawbacks probably
would have some value here thank you Mr
uh thank you the board does have
authority
um to pursue actions against individuals
uh who engage in violations of the law
who engage in unsafe or unsound
practices uh who have engaged in
breaches of fiduciary duty we retain
this Authority even after a bank fails
and we stand ready to use this authority
to the fullest extent based on the facts
and circumstances and as with chair
grunberg potential consequences include
a Prohibition from banking civil money
penalties or the payment of restitution
we intend to use these authorities to
the fullest extent we are able thank you
Miss link and I know
the Chairman's Indulgence briefly yes I
defer to the FDIC and Federal Reserve on
this thank you thank you Mr chairman
that was brief thank you madam under
secretary Sunday rounds of South Dakota
is recognized
thank you Mr chairman
first of all thank you to all of you for
preparing me for our committee today
Vice chair bar in your testimony you
said that in November the FED
supervisors delivered a supervisory
finding on interest rate risk management

to Silicon Valley Bank as you know the
communication of supervisory findings
must be focused on significant matters
that require attention
matters requiring immediate attention or
MRIs are matters of significant
importance that the FED believes need to
be resolved right away including matters
that have the potential to pose
significant risk to the safety and
soundness of the banking organization
my question Vice chair bar was managing
interest rate risk listed in the MRI
section of the supervisory finding
issued to svb
and if it was not why not
Senator we're still reconstructing the
supervisory record we've just started
the review but my understanding is that
they were issued a matter requiring
immediate attention based on the
inaccuracy of their interest rate risk
modeling
essentially the the risk model was not
at all aligned with reality
pretty interesting statement if it was
not aligned with reality
I recognize that you're going to have a
complete report and and I'm not going to
try to push you too far into this but I
I'm really curious what's the time frame
that's expected for a response for an

MRI one that requires immediate
attention
a senator there's there's not a fixed
amount of time it depends on the issue
the scope of the issue the complexity of
resolving the issue so I don't I don't
have a way of giving you a firm Baseline
uh on the action but they're they're
expected to be a top priority for
management to address
and particularly in the interest rate
environment that we're in and and
knowing that the firm had been cited
previously for other problems with
liquidity risk management and interest
rate risk management
supervisors would expect that that would
take a high priority attention by top
management
this the supervisors met with the CFO of
the firm in the fall in October of 2021
to convey the seriousness of the
findings directly
during this time period uh perhaps for
as much as six months during that
previous year Bank was without a risk
management officer is that correct
that's my understanding I I think it's a
terrible risk management obviously not
to have a a cro at the firm you need an
effective cro as part of risk management
the firm and as I indicated previously

uh the supervisors had told the firm uh
in the summer that they had deficiencies
in governance and controls at the
management level and the board level and
that was related to their failure to
appropriately manage risk my
understanding is that there was a period
of time there in which they were without
a CFO as well is that correct I don't
have the details of that but I'm happy
to get back to you okay
um when and I recognize that there is a
difference between a matter requiring
immediate attention and a matter
requiring attention
can you kind of share with us the
difference I mean there clearly is a
defined difference between a matter of
such importance that requires immediate
attention versus one where it requires
attention can you talk a little bit
about what the expectations are between
the two they both really signal that
bank management should pay attention to
what's in front of them they're not
they're not issued lightly a matter
require immediate attention is as its
name suggested uh telling managers that
they should place a priority on fixing
this issue over other issues but the the
exercise of the line between the two is
a matter of supervisory judgment just to

follow up a little bit and recognizing once again that we'll get a full report in the next couple of weeks but seems to me that when it turns into an MRI there is an expectation that the board or the executive officers would respond fairly quickly

to your knowledge at this point was that expectation met

well I I think the fundamental fact is you know the firm failed because of its interest rate risk and its liquidity risk and that is I think evidence of the fact that they didn't respond strongly enough and promptly enough in other words with the information that you had and that The Regulators had they were able to determine that there was a problem at the bank

and they directed that there be a response immediately an immediate response uh based upon the data that they were able to gather at that time that's a reasonable assumption is it not I I don't know what the time frame sets out set out in each of the individual orders were so I'm not able to answer your question with precision and I want to be very careful to be able to do that that's fair and not not go beyond that you just finish with this though but we will receive that information when the full report comes out yes uh on May 1st we'll release the full report and it will include the reports of examination and so people will be able to see what's in the record very good thank you thank you Senator Menendez of New Jersey is recognized thank you Mr chairman in 2018 Congress passed a bill which was assigned to law by President Trump that relaxed regulation for institutions like Silicon Valley Bank that law which I opposed Exempted those Banks from enhanced Prudential standards stress tests raise the Threshold at which a bank would be considered systemically important but even as that law kept Silicon Valley Bank off the list of systemically important institutions the fed and the FDIC a rightly cited systemic risk to justify their actions to prevent runs on other Banks so Mr bar Mr Gruenberg each of you voted to invoke what is known as the quote systemic risk exception so with a simple yes or no can you tell me that the situation at Silicon Valley Bank pose systemic risks

uh thank you Senator I think it's an absolutely crucial question uh the invocation the systemic risk exception required uh judgment as well as incoming data and our best assessment the

assessment of a unanimous Federal
Reserve board any unanimous Board of the
FDIC and the treasury secretary was that
we were seeing signs of contagion in the
banking system that threatened to put at
risk depositors and Banks across the
country and to make sure that Banks
could continue to land in their
communities to make sure that depositors
were safe to make sure that businesses
could pay payroll but we thought it was
important to uh to invoke that systemic
risk determination and because events
you felt that Silicon Valley Bank was a
systemic risk at that point in time the
Judgment was really broadly about the
risk that the failures of these
institutions and other stresses in the
system were posing as a whole goal as
opposed to a particular decision seems
to me that that sounds like a
distinction without a difference
uh if any single bank's failure can
cause contagion uh that threatens the
system then it seems that the the bank
should be considered systemically
important
and so we need you you all need to have
an obligation to be clear with us uh and
with the American people uh when you
took extraordinary steps to protect
uninsured depositors that could very

well lead to increased fees charged to
Banks and ultimately to Consumers so I
think we need to be clear about what is
a systemic risk uh and so I'm looking
forward a more crystallized version of
that I was here in 2008 I don't want to
live through it again uh do you agree
with President Biden's statement two
weeks ago that Congress should
strengthen rules for banks to make it
less likely that we will see another
failure similar to that of Silicon
Valley Bank
uh thank you Senator I think it's
important for us to to strengthen
capital and liquidity rules we're
working on strengthening them as as part
of our Basel III reforms and our
holistic review of capital and I think
we need to to move forward with that and
as both chair Greenberg and I suggested
with a long-term debt requirement that
would provide an additional cushion in
addition to capital for large
institutions that that work will need to
go through notice and common rule making
there will be transition periods for it
but I think that is really important
work for us to do and I'm committed to
doing it
well let me ask you Mr Barr this morning
I along with Senator rounds and other

members of this committee sent a letter to Chairman Powell asking him to explain whether the feds had applied enhanced supervision or Prudential standards to Silicon Valley Bank or any similar size Bank using the fed's existing Authority we've also learned from public reporting that fed supervisors began flagging problems as a svb as far back as 2021. now I understand we have a lot more to learn about the facts of what transpired both at the bank with any management failures but I expect that we're going to see that all factored in as part of a review so as you begin that review let me ask you do you agree with chairman Powell's statement last week that from what we know it is quote clear that we do need to strengthen supervision and regulation yes I absolutely agree with that thank you for that now lastly uh what I I would love to know Mr Greenberg about as we think about uh should we raise the Federal Deposit Insurance what percentage of account holders is that account for how much is private versus business

and what are the costs that are associated with it so I'll just put that out there for you to submit an answer to the record because it will take more time than what I have but the last point

I want to make is we have seen a flight
from Regional and Community Banks to
quote unquote too big to fail Banks
and a concentration of deposits at a
select few institutions also brings
about its own risks to the financial
system
at the end of the day it seems that we
are incentivizing
entities to go to go to too big to fail
Banks it only makes it even more
consequential in terms of two bigs to
fail is that what we want to ultimately
achieve in this process
uh Senator I think that the the goal of
the actions that we took
are to make sure that we have a thriving
and uh diverse system of banking in the
United States including Community Banks
and Regional banks that are the
lifeblood of many communities all across
the country
I think it's Senator County Louisiana is
recognized thank you Mr chairman thank
you all for being here today chairman
Barr we uh
the Federal Reserve rather stress tested
34 banks in 2022. is that correct
uh Senator I don't have the exact number
in front of me but that's well I have
your reports I have your record it says
34.

and the cutoff was 100 billion dollars

is that right

yes

okay

um you didn't stress test Silicon Valley

Bank did you

no Under The Reserve Federal Reserve

boards rules that were put in place

um for the transition into the stress

testing it takes a while for a firm uh

to be considered above the threshold

they need to have a rolling four-quarter

average stress test Silicon Valley Bank

in 2022. no okay uh Silicon Valley Bank

had uh 100 billion dollars more than 100

billion dollars in assets at the end of

of 2021 did it not Senators that was

explaining that the transition rules in

place at the time require a rolling four

quarter average to be above that amount

okay and then if the firm is happens to

be in a year that isn't the year that

since it's in every other year test that

a test is running right then it waits

till the next year so for Silicon Valley

Bank that would have meant 2024 would be

its first stress test but the point is

you didn't you didn't test Silicon

Valley Bank we we did not apply a stress

test to Silicon Valley Bank it was of

course using its own stress test did you

have the authority to do it

under our existing regulations no we
would have to change our regulations to
have that Authority under under the uh
the the
congress's
amendment to Dodd-Frank
Senator kripel talked about it 2155.
section 252.3 isn't it a fact that we
gave
the uh the the Federal Reserve the
authority to to stress test Silicon
Valley Bank
under under that legislation the Federal
Reserve could have put in place a rule
defining the word periodic but you did a
different way than than was done right
but you didn't did you the Federal
Reserve did not do that okay
um
it if you had stress tests so well let
me let me do this way if you had stress
tested Silicon Valley Bank
in 2022.
it wouldn't have made any difference
would it
I don't know the answer to that question
well you didn't test
for Silicon Valley Bank's problem
I've read your report
your your stress test you stress tested
these 34 Banks
for uh falling GDP spiking unemployment

into thoughts and Commercial Real Estate
isn't that correct yes in a typical
adverse scenario for banks we're testing
falling interest rates but that wasn't
our problem in 2020. I completely agree
it's not our problem today the problem
is inflation High interest rate and loss
of value in government bonds isn't it I
completely agree with you so you you
stress tested in 2022 for the wrong
thing
the stress test is not the primary way
that the Federal Reserve or other
Regulators test for interest rate risks
but you you're stress tested for the
wrong thing as I said Senator I agree
with you that it would be useful to test
for a higher Rising interest rates
that's why in our alternative scenario
multiple scenario that we put in place
for this year's stress test we do that
these decisions were made before I
arrived but I agree with you well it's
like somebody going in for a
for uh for covet and getting a test for
cholera
isn't it
I I don't know enough about either of
those tests to know yeah well they're
different
um so all this business about well the
Dodd the amendment to Dodd-Frank kept

them from stress testing

the way I see it you chose not to stress

test and if you had stress tests Silicon

Valley Bank you wouldn't have caught the

problem

as I said Senator I agree with you that

the the statute requires periodic stress

testing the Federal Reserve made a

decision about how to implement that

right in 20 in 2019 right that resulted

in svb not being tested until planned to

be tested until 2024. but as I said the

stress test required you knew from the

I'm sorry to cut you off but the

Chairman's going to cut me off in a

second

but you knew

the Federal Reserve knew well in advance

the Silicon Valley Bank had a problem

withholding too much of of its money in

interest rates sensitive long government

bonds didn't you I think the investing

public and the Federal Reserve which

cited it for interest rate risk problems

knew that it had interest rate risk I

think the federal nobody anticipated

anything about it did it

I'm sorry I couldn't hear you the

Federal Reserve didn't do anything about

it did it I I disagree with that uh

Senator respectfully the the Federal

Reserve did uh cite these problems uh to

the bank and require them to take action
Bank management failed to act on those
you didn't follow up did you
so as time has expired I think that I
sit here and watch um Mr Barr uh
reluctant to criticize some of the moves
of his predecessors at the Federal
Reserve I'll leave it at that Senator
Smith from Minnesota is recognized uh
thank you Mr chair and thanks to our um
our folks for being here today really
very much appreciate it um so I want to
just start by really reiterating what I
know some of my colleagues have said
which was that as these two Banks
collapsed I heard you say very clearly
Vice uh chair bar
um the Silicon Valley Bank in particular
collapsed because of you know what looks
like gross mismanagement and failure to
manage even the most basic of risk some
liquidity and interest rate risks the
Biden Administration and Regulators took
strong and decisive action to protect
people and to keep our banking system
safe and secure and the reality is that
that action that you took was necessary
but it was also extraordinary
extraordinary actions were called for
um in the moment and you of course don't
want to have to use extraordinary
actions you want to be able to rely on

banks to do to make good decisions and
to protect their shareholders and to
protect their depositors but let me just
clarify one thing before I want to
follow up a little bit on senator of
these questions
um
the federal the FED under the previous
Vice chair of supervision put into place
rules
um that I think there's a question about
whether those rules mean I think even in
the moment you are you are critical of
those rules is that right
yes that's correct and and so
um your review will um we'll take a look
at what would have happened if those
rules hadn't been in place and then you
can make decisions um about what new
rules need to be in place to protect
from this kind of extraordinary
situation that we saw with these new
these two Banks is that correct yes
that's correct so I think that's just
important for us all to understand here
um as we understand as we think about
what has happened
um
the Silicon Valley Bank's failure was
the result it appears of management
failures at many levels all coming
together at the worst possible time and

I'm particularly struck by the bank's
failure to manage interest rate risk you
and I talked about this um last week
which is basic Bank management it's not
rocket science to manage interest rate
risks and you know interest rate risks
interest rates excuse me were near zero
for more than a decade and a lot of
business models it appears including
Silicon Valley Bank's business model was
predicated on basically free money and
um that obviously presents risks when
that changes so I'm concerned
um uh Vice chair Barr about other
institutions Banks and non-banks alike
how they are managing what must be
similar interest rate risks could you
just address that and talk about how the
FED right now and others are monitoring
that interest rate risk and what that
tells you about what we need to do
differently uh thank you Senator uh you
know let me just start with the basic
point which is the the banking system is
is sound and resilient
most banks are highly effective in
managing interest rate risk and
liquidity risk it is the bread and
butter kind of work of Bank management
so we are monitoring the financial
system monitoring the banking system uh
we're looking at interest rate risk and

liquidity risk across the banking system to assess that where Banks need to do better at interest rate risk and liquidity risk management we're pointing that out but I think the fundamental point is the banking system is sound and resilient I might have mentioned to you when we spoke that I had a chance to meet with a group of Minnesota Bankers including Minnesota has more Community Bankers I think per capita than any state in the country and they were eager to point out to me that their business models are very different from the business models of Highly risky Enterprises like Silicon Valley Bank and so I appreciate you you're raising that in fact I've been getting texts from some of my Bankers today watching this hearing and wanting to point out wanting to point out that difference
um Mr Barr can you talk about the risks of interest rates sort of this interest rate risk as it might affect
non-banking institutions as for example
mortgage loan companies
I thank you first let me just uh you know say as as you indicated I hear from Community Bankers as well and I know many other Senators have in in your home States the the vibrancy and the health of that Community banking sector and and

we see that too

um we are obviously looking at interest

rate risk as it affects not only banks

but but also the non-bank sector uh we

we look at uh of course at non-bank

mortgage servicers that we're looking at

hedge funds we're looking broadly across

uh the financial landscape to see where

those risks uh might arise and and how

those might propagate in in other ways

into the banking system so we're highly

attuned to that but again I think the

basic point is that the banking system

is sound and resilient depositors are

safe

um and and we've uh through our actions

demonstrated that

of Wyoming is recognized thank you Mr

chairman and thank you panel I want to

follow up a little bit on Senator

Kennedy's line of questioning as I read

um statute 5365

section c risks to financial stability

safety and soundness the Board of

Governors

May order or rule

excuse me the Board of Governors may buy

order or rule promulgated pursuant to

section 553 apply any Prudential

standard established under this section

to any Bank holding company with

Consolidated assets equal to or greater

than a hundred billion dollars so that
was Silicon Valley bank then you've got
section
statute 2155.
that when it was changed from May to
Shell made mandatory a new Duty on the
Federal Reserve to take into account
higher risk profiles presented by
certain Banks and to strengthen
supervision of those Banks so you look
at Silicon Valley Bank
they had a number of activities with
above average risk profiles their
concentration of deposits the quantity
of uninsured deposits 94 uninsured
deposits
then you look at Federal Reserve
Authority Under regulation double why
to impose additional risk-based or
leverage capital or liquidity
requirements or other requirements the
board deems necessary to carry out the
purposes of Dodd-Frank I look at all
this and I think that among all these
statutes and regulations the FED had
plenty of authority
to prevent silicon National Silicon
Valley Bank
and and the problems it encountered and
and was aware pretty early on that there
were unique problems there and that it
was a very very unique financial

institution because of its risk profile
but didn't do it
I'm as I look at what Authority you've
been given I can't think of another
additional rule or regulation or law
that you needed
tell me whether you agree with that or
not
Senator I I agree that the Federal
Reserve has substantial discretion to
alter through notice and comment
rulemaking the rules that were put in
place in 2019
with respect to firms over 100 billion
there there are some areas that the
statute would provide some limitation to
but there are substantial discretion for
the Federal Reserve to change its rules
for firms in the 100 to 250 billion
dollar range change its rules what would
it have to do
uh we would have to go through a notice
and comment rulemaking process I don't
mean the procedure for changing a rule I
mean what changes would you make to the
rule Senator we haven't made a
definitive conclusion on that we're
undertaking this review of sbv's failure
in order to better assess whether it be
appropriate to change Capital rules and
liquidity rules for this size firm for
firms more generally we're looking at

that right now
is fractional Reserve banking overly
risky in this age of online banking
as Senator let me let me just say uh
repeat what I said uh before uh which is
that the overall the the safety and
soundness the banking system is strong
uh banks are safe and sound depositors
should feel assured that their deposits
are safe well here's the problem though
as I see it the way that
Wyoming
up paying for this through higher
assessments from the FDIC am I correct
Mr grunberg well as I indicated uh
senator in regard to these two
institutions
any cost to the deposit Insurance Fund
from covering uninsured deposits is
required by law to be recovered through
an assessment on the banking industry
exactly if I make just one additional
point the the law does give the FDIC
Authority in implementing that
assessment to consider the types of
entities that benefit from any action
taken or assistance provided so are you
saying that you're able to exempt to
Wyoming's Community Banks from paying
for this I'm suggesting we have some
discretion there and we're going to
consider that is too carefully will you

exempt Community Banks from having to
pay for this that's a judgment our board
is going to have to make and as I
indicate did we anticipate going out for
notice and comment
public rule making in May to implement
the assessment and as I indicated we
have Discretions here when they go
through APA rule making to assess that's
the law that was the lead that's the
legal requirement though thank you Mr
chairman
thank you Senator Lumber Senator Warren
of Massachusetts is recognized thank you
Mr chairman so we just experienced the
second and third largest bank failures
in American history
Executives at svb and signature took
wild risks and must be held accountable
for exploding their Banks and I'll soon
introduce a bipartisan Bill to do
exactly that but let's be clear these
collapses also represent a massive
failure in supervision over our nation's
Banks so coming out of the 2008 crisis
Congress put tough banking rules in
place now big Banks hated them and their
CEOs lobbied hard to weaken those rules
ultimately Congress signed off and then
it got bad really bad Regulators burned
down dozens of safeguards that were
meant to stop Banks from making risky

bets now the three of you here today
represent the U.S treasury and two of
our top banking Regulators I'd like to
know if you believe that we need to
strengthen our banking rules going
forward to ensure the safety of our
financial system Vice chair bar let me
start with you do you believe we should
strengthen our financial rules going
forward
yes I do Senator thank you
Vice President
Biden agrees with you as well two weeks
ago he stated that we must quote
strengthen the rules for banks to make
it less likely that this kind of bank
failure would happen again chairman
Gruenberg what about you do you agree
with President Biden that we need to
strengthen our banking rules I do agree
Senator good and now under secretary
Liang do you agree with the president on
this
Senator I agree that we do need to
prevent these types of bank failures
well I'm asking you of course we need to
prevent them by supervision but that's
not by simply wishing it it's by
stronger regulation is that right I
agree Senator okay good now we need
better laws here in Congress but let's
also talk about how we can strengthen

the rules today even before Congress
acts under current law the Federal
Reserve has the discretion to apply
stronger Prudential standards on banks
with assets between a hundred billion
and 250 billion exactly the size of
Silicon Valley Bank that Authority is
not being used right now Vice chair bar
will you use your authority to
strengthen rules for the largest banks
in this country as you use your
authority to strengthen the rules for
the largest banks in this country will
you be reaching banks with assets of at
least 100 million dollars a hundred
billion dollars
uh Senator we of course would need to go
through a notice and comment rule mate I
understand um in this process but I
anticipate the need to strengthen
capital and liquidity standards for
firms over 100 billion dollars okay so
this is the area we're looking and we're
going to push down further in terms of
the greater scrutiny chairman Gruenberg
let me turn to you once the FED began
torching rule after rule in 2018 for big
Banks the FDIC under your predecessor
joined in on the fund and also started
weakening FDIC rules across the board
capital and liquidity
requirements stress tests you name it in

fact your predecessor explicitly told
these banks that if FDIC Bank examiners
were asking too many questions that they
should quote let us know end quote now
there's a banking regulator who makes it
clear that she is there to serve the big
Banks instead of the American public
chairman Gruenberg will you commit to
using your authority to undo the
rollbacks that your predecessor
initiated and to strengthen the rules
and supervision for banks with greater
than a hundred billion dollars in assets
Senators I think you know I was a member
of the board at that time and voted
against those measures and I certainly
think it's appropriate for us to go back
and review
those actions in light of the recent
episode and and consider what changes
well I have to say review sounds a
little wishing here you didn't think
they were good rules to begin with My
Views haven't changed Senator all right
so you still think they were a bad idea
I do got it
Authority that you could exercise right
now to strengthen rules for big Banks
and to ensure that our banking system
and our economy are safer I urge you to
use that Authority and I urge my
colleagues here in Congress to do our

part to protect American families and
small businesses
from yet another banking crisis thank
you thank you Mr chairman Senator
Senator Hagerty from Tennessee is
recognized thank you Mr chairman if
you'd allow me just a moment to speak to
the tragedy that occurred at the
Covenant School in Nashville Tennessee
yesterday
um a depraved person a sick person
executed a tragic act and yielded a
terrible result
and my entire Community is mourning
we're mourning for the families for the
victims for everybody concerned
I also want to acknowledge The Bravery
of the Nashville police department they
stepped into Harm's Way in within 14
minutes brought the situation under
control
tremendous bravery at a time when it's
called for and I want to acknowledge
their sacrifices
now let's turn to the matter at hand and
I know that politics in Washington
always seizes upon any crisis as an
opportunity to achieve whatever
regulatory or legislative opportunity or
goal that may be in front of them but
I'd like to talk about managerial
execution here

specifically I'd like to start with you
chairman Greenberg I'd like to talk
through a series of events that followed
svb's failure two weeks ago as you know
Silicon Valley Bank was taken into
receivership on a Friday morning that
gave the FDIC three days to find a buyer
before markets opened on Sunday night
you had tremendous resources at your
disposal 18 years of experience on the
FDIC board yourself
detailed resolution plans
over five thousand employees and
interest from a number of banks to bid
including at least one formal offer as I
understand it
instead of successfully executing this
process however the FDIC used the
systemic risk exemption to guarantee all
deposits at svb creating tremendous
uncertainty across our economy
and now two weeks later the FDIC has
announced the sale of less than half the
banks failed bank's assets at a loss of
16 and a half billion dollars
so my first question in the joint
statement released on March 12th you
said quote no loss is associated with
the resolution of Silicon Valley Bank
will be worn by the taxpayer is that
still your position
um Senator yes as the as you know well

the problem is with two partial sales
completed and over 22 billion in losses
already accrued that position just
doesn't square with reality
these losses are borne by the deposit
Insurance Fund that fund's going to be
replenished by Banks Across the Nation
that had nothing to do with the
mismanagement of Silicon Valley Bank or
the failure of supervision here in fact
that's going to be addressed by a
special assessment to those Banks
and as we all know these banks will have
to pass these costs along
last time I checked those costs to get
passed along to the consumer
those consumers are American taxpayers
chairman Greenberg invoking the systemic
risk exemption is the last resort
emergency option to the typical methods
of resolution
and it begs the question of why you had
to invoke that extraordinary exception
just this past Sunday's announcement of
a new purchaser part of svb not only
were serious losses incurred but the
FDIC entered into a loss sharing
agreement with the acquiring bank and a
70 billion dollar line of credit was
extended to the purchaser that's a
pretty sweet deal
this makes me wonder what prevented the

FDIC from coming to a deal like this two
weeks prior
you told ranking member Scott that you
received bids for svb over the weekend
following its collapse but that they
were insufficient
what was your counteroffer and do did
you engage with the board of the bank
that didn't approve this to get them to
step up and approve it we received one
offer
that was frankly more expensive than the
cost of liquidation it didn't appear to
be a viable offer at that moment was
there a counteroffer to that
we I I would have to check with our
staff in terms of how much of a back and
forth let's talk about the bidding
process itself were certain banks
dissuaded by you or anyone else
associated with this from bidding on svb
either before or after the bank was
taken into receivership no senator
throughout the course of that weekend I
was inundated with phone calls telling
me that legitimate bidders were being
waived off of the process
it's one thing to reject a bit if it's
bad
but a vigiology had anything to do with
this this entire committee is going to
be deeply concerned about that I look

forward to the gaos report on this
because the result of this failure
places the banking sector in a state of
disarray that we've never seen before
in spite of all the preparation and
tools at your disposal the FDIC failed
to do its job there was obviously enough
demand to orchestrate a sale what it
looks like to the American people is
that you simply didn't feel the
incentive to execute and leaned on the
systemic risk exemption to buy time and
in doing so have placed the entire U.S
banking sector into uncharted waters
I don't see any apparent Improvement in
outcome and this is a disgrace I look
forward to the Geo review and I hope
that we get to the bottom of this
uh Vice chair bar very quickly I'd like
to come to you
in response to the 2008 financial crisis
the size and scope of the regulatory
regime was dramatically expanded by
Congress Regulators like yourselves are
giving Powers not to mention hundreds of
academics at your disposal with the sole
job of monitoring and addressing risk to
the financial system all of this was in
hopes of identifying and preventing bank
failures that pose systemic risk
and in spite of all these tools we find
ourselves in a situation today that is

is unprecedented it's pretty clear that
Silicon Valley Bank was woefully
mismanaged their management team which
didn't have a chief risk officer for
eight months last year yet created and
maintained a chief diversity Equity
inclusion officer allowed their Bank to
accumulate truly shocking levels of risk
and while this was occurring the San
Francisco Fed was spoken focused on
researching left-wing policies that they
had absolutely no expertise in ignoring
one of the most basic risks in banking
interest rate risks perhaps most damning
of all until the day of their failure
svb CEO sat on the board of the San
Francisco fed so Mr Barr in your review
of what went wrong on your in your
supervision
will you consider the level of
managerial distraction that was evident
at the San Francisco fed
uh Senator the staff have free reign to
examine any issue that that might have
addressed supervision I think the core
issues are the ones I suggested at the
outside and they're really basic
interest rate risk mismanagement by the
bank liquidity Risk mismanagement by the
bank the the San Francisco examiners the
examiners at the San Francisco Federal
Reserve Bank called those issues out to

the board called them out to the bank
and and those actions were not acted
upon in a timely way and so I think in a
way the issue into the urgency the sense
of urgency that was brought to bear on
this and the sense of pressure and if
every tool at their disposal was used
because they certainly were doing other
things well beyond their remed thank you
thank you Mr chairman absolutely thank
you for your questions uh I'm going to
ask the questions now if I might in 2008
I voted against the bailouts of the big
Banks because I don't support
taxpayer bailouts we do need to protect
American consumers and small business
folks
we need to hold Bank Executives
accountable when they screw up
and if The Regulators were asleep at the
wheel we need to hold them accountable
look at correlation I would say is when
I run my farm if I look at the price of
diesel fuel and seed and that's all I
look at I don't get the whole picture
and quite frankly I won't be in business
long
if Regulators are only looking at
Capital
that isn't everything that's going on
at silicone bank they had a
concentration in a highly volatile

industry they had grown rapidly
had mostly uninsured deposits their
Investments were poorly timed with
interest rate increases that were
clearly forecasted
all setting the conditions for a classic
Bank Run
one that happened quickly due to new
technologies that are out there so Vice
share bar from 2020 to 2022 the Silicon
Valley Bank Grew From 20 or Grew From 71
billion to more than 200 billion this
was a very rapid growth it was heavily
concentrated with tax and startups
industries that have always been
volatile then the bank took those mostly
uninsured deposits invest them in
long-term U.S treasuries when the FED
had been clearly forecasting that rates
were going to go up
which the bank executive should have
known because their CEO is a director at
the San Francisco fed
and for two years
it seems that Federal Regulators were
flagging concerns about this situation
is that a fair statement that for two
years that the Fed was flagging concerns
about this bank's Financial viability
uh Senator the the examiners were
focused on interest rate risk and
liquidity risk at the big beginning in

November 2021 there at least as far as I
know from the supervisory record thus
far I have not seen something that said
that the supervisors were focused on
whether the firm was viable but but our
review is underway but doesn't that
impact the viability yes Senator is it a
core safety and soundness risk liquidity
risk and interest rate risk are core
risks that the bank mismanaged
so were The Regulators physically in the
bank so I've talked to a lot of
intermediate-sized banks they tell me
that the Regulators are right there five
days a week seven days a week if they're
open seven days a week were The
Regulators in that bank
uh physically speaking I actually don't
know that the part of the supervisory
period is during the pandemic when
activities were happening in part remote
so I don't have yet but we have I just
want to point out the fact that
um
pandemic's been over for a bit for quite
a bit
and the opportunity for those Regulators
to be in there
would have been long before uh a month
ago
yes Senator I just I don't have the full
supervisory record We've Just Begun our

review and I want to be very careful to
answer only questions I know do you know
if you don't have the FED supervisors
met with the board of directors of
Silicon Valley Bank I I don't know that
yet I know they met with Senior
Management but I'm still reviewing no if
Silicon Valley Bank had a risk committee
and if in fact the FED uh supervisors
met with the risk committee I will know
that by the May 1st report so were they
warned about potential fines
I'm sorry could you say that again so I
mean look they had some problems were
they warned to either fix them or they
were going to get fined the matters
requiring attention and matters
requiring immediate attention to my
understanding require the fixing of the
problem but I don't I don't know whether
they've highlighted any additional steps
that might be taken certainly The Firm
was unnoticed that they needed to fix
those problems quite clearly since
November of 2021.
but yet they didn't they did not
so what point in time does the FED
Regulators drop the hammer on this
outfit I mean I don't even need to get
going on the the bank uh CEO taking uh
a ton of money
right before this thing went Belly Up

as it was going Belly Up
at what point in time we can have all
the regulations on the book I've talked
to a lot of Bankers who said if this had
happened before Dodd-Frank the
regulations are ready to stop this to
happen
and and we have Dodd-Frank
and we did make 2155 to tailor the
regulations to fit the risk that was a
big part of it on the intermediate Banks
and in fact on the small Banks too
but yet
for
over a year and correct me if I'm wrong
Mr Barr for over a year
Regulators were saying to this Bank
straighten up and fly right
and they never did a damn thing about it
and The Regulators didn't make it so
damn miserable which my understanding is
Regulators are pretty good at that when
they want to be making so damn miserable
these folks would adjust their business
plan
to take care of the risks that was in
their Bank
Senator I agree that that the risks were
there that The Regulators were pointing
them out and the bank didn't take action
it's ultimately uh in the first instance
the bank management responsibility to

fix these problems and they and they failed to do it where where we didn't take enough action if the Federal Reserve supervisors didn't take enough action we're going to be talking about that in our review and we expect to be held accountable for it so I got to tell you uh Michael Michael Barr I am not a banker I ain't even close to being a banker I'm a dirt farmer and I'm going to tell you when they laid out what this bank had happened over the last two years you did not have to be an accountant to figure out what the hell was going on here I agree and all I've got to say is as you do your uh look back into what transpired

it better be fixed

if it's the regulator's fault it better be fixed if it's the regulation fault it better be fixed if it's something else I hope there's a report to this committee saying you know what guys this can happen again unless this happens

but it looks to me like I'll just tell you this and I'm looking out from the outside in it looks to me like The Regulators knew the problem

but nobody dropped the hammer

thank you Senator tester as I said our review is going to be thorough it's going to be open and if we find problems

like the ones that you just described
we're going to say it clearly and and
describe what we think should be done
when do you think that report will be
done and I'm way over time sorry what do
you think that report May 1st May 1st so
we got a month we should have them back
after the report is done we look forward
to that thing at events
uh thank you Mr chair
um and and thanks to the three of you
for being here I want to talk just a
little bit about the inherent unfairness
and what I think transpired with Silicon
Valley Bank and you know I come from the
Venture Capital industry and this is a
statement against interest and certainly
a statement against the interests of of
some of my friends but uh the the
business model of Silicon Valley Bank
was to provide banking services to
venture capital firms and to
venture-backed companies and if you
think about the fundamental trade that
was implied and I would even say
explicit in their business model what
they did is they offered highly
beneficial Financial products to
venture-backed companies and Venture
capitalists in exchange for having a
large number of deposits in your Silicon
Valley bank account sometimes often

exclusively so a common practice for example was to say that you would provide a line of credit to a venture capital firm but only if that firm put all of its money 100 of its deposits in Silicon Valley Bank or they would offer private jet financing and other goodies that are basically beneficial only to the very wealthy in exchange for having all of your deposits at Silicon Valley bank now given that that was implied in the business model of the bank I think it's important that we use the term bailout and I know that some of you don't like that term but I think it's the only term that applies fairly here because we using excess fees on Community Banks all across the country effectively chose to bail out the uninsured depositors of Silicon Valley bank now there are some outrageous examples there I think you know one firm had had deposits over three billion dollars another I think Roku had deposits of 500 million but there were a lot of people a lot of firms at Silicon Valley Bank that had deposits well over a million well over 5 million dollars and what we did in practice do was was bail them out I I guess my first question I put this to all three of you I mean because time is limited I I'd

like to I'd like you to answer quickly
is
what is the threshold whether whether
you guys meant to or not I think the the
implication of what happened with
Silicon Valley Bank is that there are a
lot of people who expect that their
uninsured deposits are effectively
insured at an unlimited level or if
you're a banker uh there's an assumption
from a lot of people that at a certain
level if you're systemically important
enough your uninsured depositors are
going to get bailed out uh maybe just go
from left to right starting with Mr
Greenberg but at what level do you think
uninsured deposits in theory are
effectively unlimited uninsured in our
banking system today
if I'm essay Senator you're asking
important questions
I think we have a lot of lessons to
learn from this episode uh the decision
to cover uninsured depositors at these
two institutions was a highly
consequential one yes it has
implications for the system I I think we
need and I indicated in my statement
earlier we need to do a comprehensive
review of our Deposit Insurance system
and considered the questions that you
raise the FDIC is going to undertake

that and by May 1 we'll deliver a report
including policy considerations to take
into account so we want to try to be
responsive on that thank you Mr Mark
I also think you uh you you raise
important questions uh when we were
looking at the systemic risk
determination uh with respect to these
institutions uh we were thinking about
the risk to the broader Financial system
not the particular depositors uh at one
or two institutions were thinking about
and concerned about the extent to which
that could impact Regional Banks across
the country Community Banks across the
country we were hearing concerns from
Bankers and from depositors from
businesses around the country it's a
difficult judgment but one that at the
end of the day
unanimous FDIC board and a unanimous
Federal Reserve board and the treasury
secretary agreed that that that risk to
the system was not a risk that was worth
taking
and so you know today I think we can you
know say that that the banking system is
sound and resilient and the steps we
took demonstrate traded that resilience
and the safety of deposits around the
country so so I I'm less concerned
um less concerned with the decision

itself though obviously I have a lot of questions there I think there's an open question about whether we could have provided the confidence to the banking system the liquidity that was needed in case of a bank run without bailing out the uninsured Silicon Valley Bank depositors I think that's maybe a topic for for a follow-on hearing but what I worry about is is the the fundamental unfairness here that we've drawn a line and I don't know whether the line stops at Silicon Valley Bank maybe it goes much further maybe it stops there where if you're systemically important which is a term that impossible for anybody here to Define with confidence if you're systemically important your uninsured deposits are effectively Unlimited in their insurance whereas if you're not systemically important if you're a Regional Bank in Ohio there's a very good chance that your uninsured depositors will not receive that bailout and I think that uncertainty is a really really big problem problem with what you guys have done I'm not saying that an accusatory way I understand that there were reasons to do what you did even though I don't think it was the right decision I'm just saying I think it has some real moral hazard here I know I'm

over time here so so the one thing I'd
ask here is just unanimous consent to
introduce a letter to the record from
American Share insurance this is a
company provides private Deposit
Insurance to most State chartered Credit
Unions including the 43 in Ohio and just
on this point of moral hazard and on
this point of unfairness what I what I'd
like to I'd like you guys to consider
doing is extending the same implied
offer that you gave to the Silicon
Valley Bank uninsured depositors to do
it a little bit further down the banking
ladder so that everybody benefits from
the rule that you guys have created for
Silicon Valley Bank
without objection
Senator thank you uh thank you Mr
chairman thank all of you uh for your
service and and testimony today uh Mr
gruenberger um you're aware are you not
uh of the fact that the CEO of svb sold
3.6 million dollars in Company stock
just 10 days before the bank collapsed
and the FDIC took over its deposit so
you're aware of that right I am Senator
and are you aware of the fact that other
Executives of the bank and employees of
the bank receive bonuses literally hours
before svb collapsed yes senator now I
believe we need to have an independent

investigation into any criminal
culpability possibility of insider
trading uh in this case but regardless
of any criminal culpability that may be
there I think it's simply wrong and I
think almost every American would agree
it's simply wrong for the CEO and top
Executives to profit from their own
mismanagement and then leave ffdic to be
holding the bag would you agree with
that proposition that that would be
wrong yes senator
now Dodd-Frank provides clawback
Authority
that applies to the biggest banks under
the orderly liquidation Authority Under
ola
but as I understand it that Authority
does not apply to svb bank am I right
about that that is correct Senator could
I elaborate on that briefly if you could
briefly just very briefly we do not have
explicit callback Authority we do have
an obligation to investigate any
misconduct by the board and management
of the institution and we do have
authorities to impose consequences
including civil money penalties
restitution and barring individuals from
the business of banking so we can get at
some of the issues raised but it's true
we do not have explicit clawback

Authority and they indicated earlier
there would be it would be reasonable to
create parity between the Dodd-Frank Act
and the Federal Deposit Insurance act in
that regard well I'm glad you raised
that I heard your response earlier and
um Senator Kennedy a member of this
committee and I are working right now on
bipartisan legislation to accomplish
exactly what you said I hope we can
introduce it this week and I know the
chairman of the committee is interested
as well in pursuing that and I asked
secretary yellin in another hearing last
week whether she in the bide
Administration fully supported it the
answer was yes so I hope we can move
forward on that piece as quickly as
possible because there does seem to be a
hole in your Authority you have some
authorities you indicate it but there is
a hole in that Authority that we have to
plug and you agree with that
I do senator
so
Vice chair bar I I wanted to ask you
about some guidance in fact a rule that
was issued by your predecessor former
Vice chair of supervision Quarles
shortly before his departure in March
2021.
and this rule established that

supervisory guidance does not have the
force of Law and it cannot be used in
the event where it would halt bank's
abilities to conduct mergers and
Acquisitions and that sort of thing I
fully understand the distinction between
supervisory guidance and and black
letter law but I think it's important to
note that this request for this rule
according to the fed's staff memo
that this guidance was issued upon
industry request
and they specifically note the bank
policy Institute and the American
Bankers Association is submitting a
petition asking for this rule to provide
guidance
to try to weaken the punch of the
supervisory rules are you aware of that
uh yes senator
this goes into the frame that the
chairman of the committee made earlier
on where we've got a lot of folks that
had been saying for months and years
let's rein in the bank supervisors and
and now all of a sudden it's like where
were the supervisors why weren't they
being more aggressive do you agree that
that guidance putting that into rule
sent a message that you don't have to
listen to supervisors guidance that much
and would you be willing to take a look

at whether or not that should be
repealed
Senator I'm I'm not sure of the impact
of that guidance I think it's an
appropriate area for us to be looking at
I know that staff are going to be
thinking about that with respect to the
svb case whether it mattered or it
didn't matter I do think it's an
appropriate area to look at but I do not
have a firm conclusion about it well I
hope you'll take a look at it because it
was done at the behest of the industry
and clearly the intent was to
undermine the impact
or or of of the guidance provided by The
Regulators so it seems to be part of a
pattern
of an effort to push back on Regulators
Authority and then come back and do the
Monday morning quarterbacking and saying
where were they thank you Mr chairman
thank you Senator Ben Holland Senator
Danes is yield to Senator Brett right
Senator Brett's recognized from Alabama
thank you Mr chairman thank you Senator
Danes I appreciate the opportunity to be
able to ask you all a few questions I
want to start by saying I am proud to be
from the great state of Alabama where
our financial institutions are strong
our regional Banks Our Community Banks

our credit unions and the critical role
they play from our main streets to our
rural roads could not be understated so
I am proud of the work they do and proud
of the strength they continue to exhibit
Mr Barr I want to follow up on a
question that one of my colleagues
brought up you keep talking about the
FED focusing on the size of svb and
Banks however 2155 also requires the FED
to take into consideration
riskiness complexity Financial
activities along with other risk-related
factors tailored supervision ensures
that the FED focuses on the most risky
Banks you've said repeatedly that bank
mixed management led to sbv's svb's
failure the whole point of 21 55 was so
that you could tailor your regs and your
supervision to risk so why did you not
require definitive corrective action
based on the flaws that you saw
uh thank you very much Senator Britt and
I appreciate your comments about the
Alabama banking sector which I think is
a thriving sector and is contributing to
its communities uh and and like uh
Bankers across the country is strong and
vibrant uh very very uh you should be
very proud thank you we are we we are um
looking at the at the range of tailoring
approaches the Federal Reserve took um

the decision to set those lines
um uh by asset size and other risk
factors was made back in 2019 you know I
joined the board in July of 2022 and
began looking at that approach I expect
to continue to review it as part of the
SBB review and and I believe we have
substantial discretion to alter that
framework excellent I
which is ongoing in that review will you
take a look at if you used all of the
tools in your toolbox to prevent this
both both before and after will that be
part of your review yes Senator the
staff are reviewing the steps that
supervisors took and whether they should
have taken more aggressive action so at
current rate though you can't speak to
whether or not you utilized all of the
powers that were given to you
I I really would like to wait for the
formal review for the staff to come
evaluate the full supervisory record to
make an assessment but we're certainly
very focused on that question and if we
didn't do the right steps we're going to
say that yes yes well I I find it can
would you like to see more Powers more
strength in this every single one of you
said yes when you don't actually know if
you utilize the tools in your toolbox
correctly or if the people that were

under your supervision were supervising
appropriately I think that's what people
hate about Washington we have a crisis
and you come in here without knowing
whether or not you did your job you say
you want more that's not the way this
works you need to be held accountable
each and every one of you I'm a big
believer you got to own your own space
and speaking of Mr Gutenberg I want to
talk about yours so you are not the
primary supervisor here obviously that's
the FED but you are the non-primary
supervisor for svb or were is that
correct yes we have backup supervision
you have backup supervision you had that
before Dodd-Frank correct
yes you had it after Dodd-Frank correct
yes and 2155 did not change that
responsibility that you had that's
correct right so in that role what did
you do prior to the bank's failure to
exercise that that power yeah in this in
this instance we were working with the
FED as the institution was experiencing
difficulties but I think it's fair to
say that it was in a supportive role
with the primary regulator okay but you
did raise this to the primary regulator
you did exercise we were working with
the primary regulator in regard to the
institution excellent I am so glad to

hear that we have to make sure that we
are working together and doing our job
in order to prevent these things from
happening
happening in the future one of the
things I also want to talk about
is just the different responsibilities
that each of you have and whether they
were executed and then additionally want
to talk we'll move into the fdic's bank
auction process for just a minute
although I only have 33 seconds left it
seems that you failed to put the bank in
receivership and the fdaic passed on
allowing the Silicon Valley Bank to be
purchased is that a correct assessment
or do you feel like that's been an
incorrectly identified throughout the
news Cycles yes Senator the bank was
placed in receivership on Friday morning
and we in endeavored to solicit bids
over the weekend as I indicated
previously was that it was a rapid
failure so there was no opportunity
prior to failure to
prepare for a resolution we tried to
Market it we got two bids neither
neither would have been
um less costly than liquidation so we
then proceeded to put in place a process
where we were able to bid out yes and I
am out of time but I will say in six

months prior JP Morgan noticed that
there was a problem their equity
research team and then Moody's obviously
met with svb prior to saying that they
were going to downgrade so I've heard
you'll say this was a rushed process if
the outside sector knew this was
happening you and the fed and the 4 000
examinators should have known that this
was coming as well uh Senator Warnock of
George is recognized thank you very much
Mr chairman
um many Americans and in fact all of us
would remember the unfairness of the
2000 of 2008 and that crisis when
Bankers who made bad decisions who
played
uh games with our economy
not only did they not go to jail
they got to keep their jobs
and their multi-million dollar salaries
I feel that in a particular way is
someone who pastors and moves and
communities where poor and marginalized
people have the weight of the law come
down upon them for the smallest of
infractions not one Banker went to jail
they kept their multi-million dollar
salaries when Bankers made risky bets
that threaten our entire economy they
got to cash in
they should be held accountable

we discovered shortly after Regulators
took control of Silicon Valley Bank that
top Executives at the bank offloaded
millions of dollars worth of stock in
the weeks leading up to the collapse
very convenient
including their former CEO Who Sold 3.6
million dollars worth of stock two weeks
before the bank crashed
the Dodd-Frank banking reform law
included a compensation clawback
provision for executives identified as
excessive Risk Takers
or in other words those who put their
Banks and the entire economy in jeopardy
Mr grunberg the fde the FDIC in
conjunction with the other Financial
Regulators began working on a rule to
implement this provision and Dodd-Frank
in 2011 and then again in 2016 but the
final rule was never issued does the
FDIC have plans to revisit this room
it has been discussed Senator and it
seems to me appropriate
it's appropriate and I I would say
urgent and I know that the justice
department and the SEC are looking
closely into this matter
and I would encourage them to include
any evidence of insider trading
that seems only appropriate given the
circumstances that that should be a part

of the scope of their program
but there is a scenario where these
Executives not only get away scot-free
but also with sizeable paydays
and the FDIC should use every tool it
has at its disposal
to prevent it we certainly don't want to
incentivize this kind of behavior
so again Mr Greenberg out outside of
this rule tell me where can Congress
step in to stop incentivizing this this
type of high-risk Behavior does the FDIC
need additional legal tools to hold
excessive Risk Takers accountable
thank you Senator first is a matter of
law whenever a bank fails the FDIC is
required to conduct an investigation
of the conduct of the board and the
executives of the institution and we
have authorities under the law to impose
accountability including civil money
penalties restitution and barring
individuals from the business of banking
so we have significant Civil Authorities
under the law now it was mentioned
earlier and I think it's appropriate
that we do not have explicit clawback
Authority in regard to compensation we
can get at that issue through our
existing authorities but certainly
providing explicit clawback Authority
Under the Federal Deposit Insurance act

as the FDIC has under the Dodd-Frank Act would be would be appropriate in addition to completing the rulemaking that that you raised previously now both of these things are important we've got to complete the rule making and look at and see whatever additional tools may be necessary certainly as the ship is sinking we don't want Bankers to be able to move all of their products on the Lifeboat I agree Senator and so we've got to address this I want to switch to a related topic for several days payroll providers banking with svb or Signature Bank had no way to access their deposits everyday folks leading to many Americans receiving their paychecks late
or having missing paychecks too many Americans live paycheck to paycheck and in this case they got it late
and as a result some of the 64 million Americans living uh paycheck to paycheck were hit with overdraft fees
non-sufficient fund fees due to the disruption something I've addressed
in other settings
and that's why I sent a letter with Senator Booker urging Regulators to impose a temporary moratorium on overdraft and non-sufficient fund fees for folks who incurred these fees at no fault of their own

Mr Gruenberg does the FDIC have a plan surrounding overdraft and non-sufficient fund fee Protections in the event that we experienced broader systemic issues Senator you raise an important question we've received your letter as a starting point

we know there were delays we really want to get the facts in terms of if overdraft fees were really imposed as a result of those delays if we if we can confirm that information then we can can consider what actions to undertake and we're glad to work with you and your staff as we follow up on that I look forward to working with you on this here's the bottom line ordinary folks who who just showed up put their deposits they they shouldn't have to bear the brunt and burden of these bad decisions made by Bank Executives thanks Senator we're not Senator Danes from Montana's recognized chairman thank you the failure of Silicon Valley Bank Signature Bank and the general terminal in the banking sector are the direct result of the failures of regulators including the agencies we have before us today

also the executive team for these financial institutions and the inflationary environment sparked in no small part by the by administration's Reckless spending I remember having debates right here with the Banking Committee about these massive stimulus bills that 1.9 trillion dollar spending bill that even Lawrence Summers said was inflationary on a purely partisan vote it passed with Democrats supporting and Republicans opposing but each of these groups back to Silicon Valley Bank Signature Bank failed to prioritize properly clear and present risks of the inflationary environment Rising interest rates well it did to bond values instead opting to focus on climate change equity and other factors that did not contribute in any way that Christ we have before us I raised these issues of misaligned priorities with secretary yellam during a finance committee hearing back in June of 21 when she identified climate change non-bank financial intermediation and treasury market resilience as the key priorities for fsoc now we're facing a situational responsible banks in my home state of Montana and elsewhere will be on the hook for providing tens of billions of dollars and potentially more to bail out irresponsible Coastal banks for risk-taking that Regulators failed to act upon despite first noticing as far

back as 2019. turn to my question Vice
chair bar you state your testimony that
you review is quote focusing on whether
the Federal Reserve supervision was
appropriate for the rapid growth and
vulnerabilities of the bank end quote
questions if you find as part of your
review that certain individuals were
clearly negligent in the performance
their duties are you willing to
recommend that be fired
a senator I don't want to prejudge in
any way the review I'm going to get that
evidence back I'm going to understand it
fully and I said but if part of your
review you find they're negligent would
you recommend that be fired
I I it's hard for me to answer in the
abstract sir I I believe we'll we'll
take appropriate action with respect to
the supervisory structure as a whole
whether with respect are you willing to
is termination one of the options
I I don't know that's an easy question I
just had an option I'm gonna say if the
exercise is that an option consent will
some could somebody be fired for this
um I I would have to understand the the
basis in our human resources law the
bank Executives lost their jobs as
should some of these regulators
shouldn't that be the case if they're

asleep at the wheel
Senator I want to be very careful there
there are laws and procedures with
respect to uh how you you can make a
recommendation to HR and they can tell
you whether or not that's allowed or not
I've been in the corporate world for
most of my career I've worked with HR
right as is true within the federal
government you can make a recommendation
if somebody's asleep at the wheel and
negligent I I would be happy to follow
up with you Senator I promise we will
take appropriate action based on the
review but I don't have a a definitive
answer for you at this moment
I do find it ridiculous that you're
unwilling to say that if people fail to
perform the responsibilities that you
might recommend
may be fired Vice chair bar did you
visit the San Francisco fed in October
of last year
October last year
what what year I mean in in 2022
uh I don't believe so
okay well the the San Francisco fed
published a Supervision in brief memo
saying the top priorities that you
outlined with that visit aligned with
their top priorities it may be that I
did a virtual seminar for a range of

Supervisors and so they're the San
Francisco fed folks were in attendance
for that but I don't believe I was in
San Francisco so the regulator's
perspective that came out from the 12th
District the San Francisco fed said they
were aligned with what was top of mind
for the work being done in the 12th
District the first thing it says is
financial risks from climate change this
is at a time back on October 22 when you
saw the discount rate was always up to
three percent we were seeing those
three-quarter Point increases coming out
of the FED Reserve over and over and
Target and they were
communicating is going to probably
continue
um
and that was about the time that also
the Richmond fed in the Fifth District
they had a little different view in
terms of prioritizing risks and they
thought perhaps a rising rate
environment might be the highest risk in
terms of priority to look at versus San
Francisco fed says it's about climate
change was their number one priority
listed stacked rank of the three that
they that they placed out it's clear in
hindsight that the Richmond Fed was
focused on the Clear and Present risks

of rising interest rates while the San
Francisco Fed was not
my question is since you were confirmed
in July what percentage of your time
have you spent focusing on climate
policy and financial inclusion versus
how the federal reserve's monetary
policy might impact Banks like Silicon
Valley be as brief as you can in that
answer thank you Senator I've been
focused on risks throughout the system
both short-term and long-term risks and
interest rate risk is a bread and butter
issue in banking it's what our
supervisors do all the time thank you Mr
San Francisco fed said it was climate
change risen by the way a senator Cinema
is recognized
thank you Mr chairman and thank you to
our Witnesses for being here today you
know today's hearing is about trust
whose trust has been broken who broke
that trust and how all of us work
together to reaffirm and rebuild that
trust trust is a key principle that the
modern banking system is built on
families trust that their hard-earned
savings are safe in the U.S banking
system Congress entrusts our Federal
Banking Regulators with the power to
supervise regulate and examine Banks we
trust you to be the cops on the beat and

have given you the tools to do that job the failure of Silicon Valley Bank on the federal reserve's watch very clearly calls into question whether or not some of that trust was misplaced make no mistake The Lion's Share of the blame is on incompetent Bank Executives and it's outrageous that these people took bonuses and sold stock in the days leading up to the bank's failure we should hold these Executives accountable for the fullest extent of the law and Claw back those bonuses and stock sales I'm co-sponsoring a bill to do just that but as I laid out in a letter to you Vice chair bar that by the way was signed by 11 other Senators spanning the ideological Spectrum it's Gravely concerning that retail participants literally just regular everyday people were able to figure out that something was wrong with Silicon Valley bank before your Regulators took appropriate action now these folks don't have access to non-public information like the bank examiners do but when people on Reddit and Twitter can spot Bank management before The Regulators something is terribly wrong so my question today are for you Vice chair bar I have lots of questions so I'd like concise answers and we'll follow up in writing you were

sworn in as Vice chair for supervision
on July 19 2022. your testimony
indicates that due to ongoing review
you'll focus on what you know so let's
start there the FED knew a problems at
the bank dating back to 2019 were you
personally made aware of major
deficiencies at Silicon Valley Bank
prior to the collapse and if so which
ones and when were you notified
thank you Senator that the staff made a
presentation to the board the Board of
Governors in the middle of February of
this year that was focused on interest
rate risk uh broadly in the banking
system and how Banks and managers and
supervisors were addressing those risks
and as part of that presentation the
staff highlighted uh the interest rate
risk that was present at Silicon Valley
Bank and indicated that they were in the
middle of a further review and expected
to be
basically coming back to the bank
shortly with further further information
about their status I believe that is the
first time that I was told about
interest rate risk at Silicon Valley
Bank so you were first notified shortly
shortly after
folks on your staff learned about these
deficiencies uh Senator that the

supervisors began highlighting these
deficiencies at the firm and interest
rate risk management and liquidity risk
management
in in a a serious way in November of
2021 as far as I know so about a little
bit more than a year prior to that
they intensified that supervisory review
as part of its uh full scope exam in the
summer of 2022 when the firm was
downgraded for deficiencies in its risk
management practices
and they brought those issues again
according to the record to the to the
CFO of the firm in October and issued
additional findings in November of 2022
so that that as far as we know from the
current supervisory record is is the
picture and that's when you so you were
first notified in October and November
of 2022
no Senator to the best of my knowledge I
first learned about the issues at
Silicon Valley Bank with respect to
interest rate risk in mid-February of
2023. so several weeks before the bank
failed staff made a presentation to the
board about interest rate risk broadly
and with a particular on Silicon Valley
Bank and indicated that they were
following up with the bank with further
measures so your testimony says that

asset size is not necessarily an
indicator of complexity and I agree
which is why section 401 of s 2155 gives
the FED explicit authority to impose the
regulations and enhance supervision
normally reserved for the largest
institutions and you can do that on any
Bank between 100 and 250 billion in
assets like svb the FED is giving this
authority to prevent or mitigate risks
to the financial stability of the U.S we
both agree that this is existing
Authority that the FED has had since the
enactment of s 2155 in 2018 correct
yes the FED has broad authority to
change the rules it uses for different
approaches to uh to supervision of firms
under the rules that were put in place
in 2019 The Firm was bucketed by a set
of categories uh I think that is
important to revisit those as I have
been doing since arriving at the Federal
Reserve in July so given the documented
issues that
the European time will I wrap up if you
can one more this will be my last
question thank you Mr chairman so given
the document and issues that your
supervisors found with svb that we just
kind of went over did the FED ever
consider using its existing section 401
Authority before the failure to more

aggressively regulate the bank
uh based on the current supervisory
record it looked like the escalations
that had occurred were in the format of
mras and and sorry matters requiring
attention and matter of requiring uh
immediate attention
and the supervisors also put in place
what's called a 4M agreement which is a
limitation on the firm's ability to
engage in merger transactions with
financial companies thank you sir
Senator Senator Tillis uh thank you Mr
chair thank you all for being here
I want to start maybe with a question
that uh uh I think Vice chair bar you
answered Senator Warren saying that you
thought Banks over a hundred billion
dollars should have additional
Prudential requirements did I hear that
correctly
I think it's important for us to
strengthen capital and liquidity
requirements for large Banks
um really up the spectrum is there any
of the tools you know just going back at
uh Mr chair I'd like without objection
to submit this to the record this is the
regulatory regimen that applies to Banks
of certain categories
and so I'm curious I always worry about
when we create an arbitrary asset limit

for doing something because it was the activities of Silicon Valley that got them in trouble and so I'm I I just want to ask briefly I got a lot of questions that I will get them done on time you've mentioned a couple of times uh Vice chair bar that the 2019
I guess implementation of Senate Bill 2155 I'm inferring that bucket at Silicon Valley and in a certain regulatory regimen did that mean that it restricted it from having supervisors make the Judgment that the additional that the increased Prudential regulations or supervisory functions could not occur
um Senator we're we're Bound by the rules we put out so if we want a new framework we need 2019 different Administration predates your tenure uh are you saying that 20 the promulgation and the implementation of 2155 took certain supervisory or regulatory regiments off the table for Silicon Valley Bank
the federal reserve's implementation in 2019 set basically the standard for how that would that firm would apply I I think that Regulators supervisors do have judgment
and can put in place because when I hear bucketing I think about Ring fencing and

I wonder if that meant that a supervisor that in my in my opinion if you take a look at the matters requiring immediate attention and then our attention and immediate attention do you know yet I know we'll get the report in May but do you know yet how many of those mras were followed by an MRI in other words the six that were issued uh over the course of a year and a half or two years how many of them was an escalation of the matter requiring attention to immediate attention if any and if you don't know that you can submit it actually if you will just submit it for the record look I we've got a CEO of Silicon Valley Bank that is a Class A Member of the board of the San Francisco Federal Reserve who got summarily terminated on the day of the bank's collapse
in your review well we also have insight into California's role in regulating this bank or will this be purely Federal jurisdiction we're looking uh only at the Federal Reserve the state of California is initiating its own report I think that's going to be very helpful because in my opinion I agree uh with uh former fed torillo that he sees this as a regulatory Labs torillo was never complimentary of Senate Bill 2155 he was implementing Dodd-Frank when we were

doing it he was hammering it he's made
the statement and Mr chair also like to
submit for the record an article
interview with Mr torillo
from Marketplace that he specifically
says in here you know 2155 is likely or
impossible to be a root cause of the
problem I'm paraphrasing he was saying
it looks like a regulatory and
supervisory lapse and I think we're
going to find that that Labs is not only
with the FED but more likely even the
supervision that the state of California
without objection sword was involved in
um
so
I'm also kind of curious in the report
are we going to see any movement I'm not
a conspiracy theorist but there there is
one question of did we have a level of
comfort with this Bank among some of the
supervisors do we know or have any
insight over the past few years if
anybody who had worked for the Fed works
for this bank we know that the CEO
was on the FED board but are on a board
at the Fed
uh Senator just with respect to the
class A directors that you mentioned
Class A directors are prohibited from
participating in any way in in
supervision yeah oh no I I get that but

but but it's just people in proximity
maybe people call them balls and Strikes
uh the supervisors didn't get that
uh quite right but I you know I I think
that there are some people who and I
want to find the root cause of the
problem and I think that you all will
find a lot of information when you issue
your report I don't think that we're
doing the banking industry any service
going forward if we talk about now we
just got to rein in the small Banks
we've got to increase by default
regardless of the activities of the bank
we've got increased by default uh there
are Prudential requirements and uh and
with your holistic review Capital
requirements a number of other things if
when you have a run on a bank like you
did with Silicon Valley could any Bank
possibly have enough to cover the run
any Bank you know Senator the the
particular Bank in question is quite
unique in its in its structure its
liability approach and it's and its
interest rate risk management I can just
speak to that particular bank that that
particular bank had if you look at that
their bank if you looked at their
internal liquidity stress testing if you
took a look at their contracts on uh an
interest rate exposure this does not

take a highly sophisticated person to understand the risk and it damn sure had to be known months before the the chickens came home to roost and I wish that we could just focus on that problem and not use the red herring of some lapse in regulatory oversight that was the root cause of this Bank collapse it simply was not and I'd love to find anybody to prove it wrong I don't care how you feel about regulatory Tailoring but use a valid argument to fight against it do not use Silicon Valley Bank as an example not suggesting that you have but there are many people that sit up here who have had the expense of looking at how we can prevent this in the future and I do have questions for the record that I'll submit thank you all uh thank you Senator Jones thanked all of the three of you for your testimony your Public Service uh I look forward to the reviews on these bank failures and thank you for for helping start that process it's interesting many of my Republican colleagues are now so eager for Bank Regulators to crack down on banks for taking uh on too many risks I hope they remember that when it comes time to empower regulators and strengthen guardrails including protecting the independent funding of financial Regulators the events the last month have shown why we need independent Regulators funding and stability for all of our financial Watchdogs but now as a supreme court considers whether the cfpb's independent funding is const funding is constitutional these Independents Watchdogs ability to keep our financial system stable faces an existential threat U.S financial Regulators as we know are independently funded so they can quickly respond when crises happen on this and every issue I'll continue to fight to to protect American workers from Wall Street arrogance and greed thank you for joining us meetings adjourned

right

now