ELIZABETH WARREN
MASSACHUSETTS

COMMITTEES:
BANKING, HOUSING, AND URBAN AFFAIRS
ARMED SERVICES
FINANCE
SPECIAL COMMITTEE ON AGING

United States Senate

UNITED STATES SENATE
WASHINGTON, DC 20510–2105
P: 202–224–4543

2400 JFK FEDERAL BUILDING
15 NEW SUDBURY STREET
BOSTON, MA 02203
P: 617–565–3170

1550 MAIN STREET
SUITE 406
SPRINGFIELD, MA 01103
P: 413–788–2690

www.warren.senate.gov

March 15, 2023

The Honorable Jerome Powell
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Chair Powell:

I write in regard to the failures of the Federal Reserve (Fed) under your leadership, which directly contributed to the sudden collapse of Silicon Valley Bank Financial Group (SVB) on March 10, 2023, the subsequent collapse of Signature Bank (Signature), and the significant risk to the banking system and the economy unleashed by these collapses.[1]

The banks' executives – who took too many risks, and failed to protect their customers – are the primary agents responsible for their failure. But the greed and incompetence of these officials was allowed to happen under your watch. It was allowed to happen because of Congress and President Trump's weakening of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* ("Dodd-Frank Act") that you supported.[2] It was allowed to happen because of regulatory rollbacks that you initiated.[3] And it was allowed to happen because of supervisory failures by officials that worked for you.[4] This is an astonishing list of failures and you owe the public an explanation for your actions.

When it was shuttered by the California Department of Financial Protection and Innovation on Friday, SVB held approximately $209 billion in assets[5] – at the close of 2022, the bank was the

[1] The New York Times, "Silicon Valley Bank Collapse: What We Know and How It Happened," Vivian Giang and Jessica Silver-Greenberg, March 12, 2023, https://www.nytimes.com/article/svb-silicon-valley-bank-explainer.html; The Washington Post, "Silicon Valley Bank failure raises fear of broader financial contagion," David J. Lynch, March 10, 2023, https://www.washingtonpost.com/us-policy/2023/03/10/silicon-valley-bank-failure-financial-industry/.
[2] The Wall Street Journal, "Powell Backs Senate Plan to Raise Threshold for 'Systemically Important' Banks," Lalita Clozel, February 27, 2018, https://www.wsj.com/articles/powell-backs-senate-plan-to-raise-threshold-for-systemically-important-banks-1519758028.
[3] The American Prospect, "Jerome Powell Went Easy on Wall Street," Max Moran, June 10, 2021, https://prospect.org/economy/jerome-powell-went-easy-on-wall-street/.
[4] Board of Governors of the Federal Reserve System, "Structure of the Federal Reserve System," March 1, 2023, https://www.federalreserve.gov/aboutthefed/structure-federal-reserve-board.htm.
[5] Federal Deposit Insurance Corporation, "FDIC Creates a Deposit Insurance National Bank of Santa Clara to Protect Insured Depositors of Silicon Valley Bank, Santa Clara, California," press release, March 10, 2023, https://www.fdic.gov/news/press-releases/2023/pr23016.html.

16th largest in the nation and its collapse is now the second largest bank failure in U.S. history.[6] SVB's swift collapse injected instability into the financial system – threatening small and large businesses and nonprofits with deposits at the bank, businesses with indirect connections such as payroll processors that used the bank, and other, similar regional banks.[7] As POLITICO reported, "[t]he collapse sent the overall stock market tumbling. Shares of other regional banks, including First Republic Bank, PacWest Bancorp, Western Alliance Bancorp and Signature Bank, were frozen late Thursday with growing concerns of broader risks to the sector."[8] Indeed, just days after SVB failed, Signature – which catered to the highly volatile crypto industry[9] – was shuttered, [10] becoming the third-largest bank failure in U.S history.[11] With the risk of greater contagion looming over a frantic weekend, financial regulators intervened to ensure that depositors at both SVB and Signature – including the venture capital firms, billion-dollar companies and crypto investors who triggered the ultimately insurmountable bank run[12] – would be repaid in full.[13]

SVB and Signature accumulated risk and made dangerous decisions about how to manage that risk. They did so in part because of greed and incompetence – but were allowed to do so under faulty supervision and in a weakened regulatory environment that you helped to create. As Chair of the Fed, you have led and vigorously supported efforts to weaken the regulations that would have subjected banks like SVB and Signature to stronger liquidity requirements, more robust stress testing, and routine resolution planning obligations.[14] Make no mistake: your decisions aided and abetted this bank failure, and you bear your share of responsibility for it.

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[6] Reuters, "SVB is largest bank failure since 2008 financial crisis," David French, Echo Wang, and Alun John, March 11, 2023, https://www.reuters.com/business/finance/global-markets-banks-wrapup-1-2023-03-10/; The New York Times, "The Second-Biggest Bank Failure," Karl Russell and Christine Zhang, March 10, 2023, https://www.nytimes.com/interactive/2023/03/10/business/bank-failures-silicon-valley-collapse.html.
[7] The Washington Post, "Silicon Valley Bank failure raises fear of broader financial contagion," David J. Lynch, March 10, 2023, https://www.washingtonpost.com/us-policy/2023/03/10/silicon-valley-bank-failure-financial-industry/.
[8] POLITICO, "Silicon Valley Bank collapses, in biggest failure since financial crisis," Sam Sutton and Victoria Guida, March 10, 2023, https://www.politico.com/news/2023/03/10/silicon-valley-bank-collapse-00086586.
[9] The Wall Street Journal, "Crypto Shook By Sudden Shutdown of Signature Bank," Vicky Ge Huang, March 12, 2023, https://www.wsj.com/livecoverage/stock-market-news-today-03-13-2023/card/crypto-shook-by-sudden-shutdown-of-signature-bank-bUOHY1A9tvrWC8b43NTi.
[10] The New York Times, "Risky Bet on Crypto and a Run on Deposits Tank Signature Bank," Matthew Goldstein and Emily Flitter, March 12, 2023, https://www.nytimes.com/2023/03/12/business/signature-bank-collapse.html.
[11] The Wall Street Journal, "Signature Bank Is Shut by Regulators After SVB Collapse," David Benoit, Rachel Louise Ensign, and Caitlin Ostroff, March 12, 2023, https://www.wsj.com/articles/signature-bank-is-shut-by-regulators-after-svb-failure-a5f9e0f7.
[12] Bloomberg, "The Digital Age Ushers in a Speedier, More Viral Breed of Bank Run," Amelia Pollard, Max Abelson, and Max Reyes, March 12, 2023, https://www.bloomberg.com/news/articles/2023-03-12/silicon-valley-bank-s-fall-was-a-faster-more-viral-breed-of-bank-run#xj4y7vzkg; CNN, "SVB collapse was driven by 'the first Twitter-fueled bank run,'" Jennifer Korn, March 14, 2023, https://www.cnn.com/2023/03/14/tech/viral-bank-run/index.html.
[13] Federal Deposit Insurance Corporation, "Joint Statement by the Department of the Treasury, Federal Reserve, and FDIC," press release, March 12, 2023, https://www.fdic.gov/news/press-releases/2023/pr23017.html.
[14] The American Prospect, "Jerome Powell Went Easy on Wall Street," Max Moran, June 10, 2021, https://prospect.org/economy/jerome-powell-went-easy-on-wall-street/; Bloomberg, "Your Evening Briefing: Deregulation Gets Some Blame for SVB Blowup," Natasha Solo-Lyons and David Rovella, March 13, 2023, https://www.bloomberg.com/news/newsletters/2023-03-13/bloomberg-evening-briefing-bank-deregulation-blamed-for-svb-blowup.

In 2014, the Fed finalized rules required by Dodd-Frank, mandating that bank holding companies with over $50 billion in total assets "comply with enhanced risk-management and liquidity risk-management standards, conduct liquidity stress tests, and hold a buffer of highly liquid assets based on projected funding needs during a 30-day stress event."[15] Then-Fed Chair Yellen outlined the need for these strong rules, saying, "[a]s the financial crisis demonstrated, the sudden failure or near failure of large financial institutions can have destabilizing effects on the financial system and harm the broader economy… And, as the crisis also highlighted, the traditional framework for supervising and regulating major financial institutions and assessing risks contained material weaknesses. The final rule addresses these sources of vulnerability."[16] Over the course of your tenure as Fed Chair, which began in 2018 under President Trump, you have taken aggressive steps to weaken these rules, which were designed to curb greed-driven risk-taking on Wall Street and protect American consumers.[17] The failures of SVB and Signature represent the consequences of your actions.

Your Support for Rolling Back Dodd-Frank Laws in 2018

In 2018, you supported passage of the *Economic Growth, Regulatory Relief, and Consumer Protection Act* (EGRRCP),[18] which the bank lobby – including the former SVB CEO himself – championed.[19] The law weakened safety and soundness requirements, eliminating the mandate that banks with assets of less than $250 billion be subject to enhanced regulatory requirements.[20] I opposed the legislation on the grounds that it would "make it easier for the banks to run up risk, make it easier to put our constituents at risk, make it easier to put American families in danger, just so the CEOs of these banks can get a new corporate jet and add another floor to their new corporate headquarters."[21] At the time, even *The Wall Street Journal* editorial board warned that "provisions that ease capital and liquidity standards for the giants will make the financial system more vulnerable in a panic."[22] The *Bloomberg* editorial board wrote that the bill "chip[s] away at the bedrock of financial resilience -- the equity capital that allows banks to absorb losses and

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[15] Board of Governors of the Federal Reserve System, "Federal Reserve Board approves final rule strengthening supervision and regulation of large U.S. bank holding companies and foreign banking organizations," press release, February 18, 2014, https://www.federalreserve.gov/newsevents/pressreleases/bcreg20140218a.htm.
[16] *Id*.
[17] The American Prospect, "Jerome Powell Went Easy on Wall Street," Max Moran, June 10, 2021, https://prospect.org/economy/jerome-powell-went-easy-on-wall-street/.
[18] The Wall Street Journal, "Powell Backs Senate Plan to Raise Threshold for 'Systemically Important' Banks," Lalita Clozel, February 27, 2018, https://www.wsj.com/articles/powell-backs-senate-plan-to-raise-threshold-for-systemically-important-banks-1519758028.
[19] The Intercept, "Silicon Valley Bank Used Former McCarthy Staffers to Weaken Regulations, Lobby FDIC," Ken Klippenstein, March 11, 2023, https://theintercept.com/2023/03/11/silicon-valley-bank-used-former-mccarthy-staffers-to-weaken-regulations-lobby-fdic/.
[20] Forbes, "How Trump's Deregulation Sowed The Seeds for Silicon Valley Bank's Demise," Mayra Rodriguez Valladares, March 12, 2023, https://www.forbes.com/sites/mayrarodriguezvalladares/2023/03/12/how-trumps-deregulation-sowed-the-seeds-for-silicon-valley-banks-demise/?sh=19e653343208.
[21] Office of U.S. Senator Elizabeth Warren, "Senator Warren Outlines How Bank Deregulation Bill Poses Risk to Economy," March 7, 2018, https://www.warren.senate.gov/newsroom/press-releases/senator-warren-outlines-how-bank-deregulation-bill-poses-risk-to-economy.
[22] The Wall Street Journal, "Big Bank Custody Fight," The Editorial Board, March 7, 2018, https://www.wsj.com/articles/big-bank-custody-fight-1520467525.

keep on lending in bad times," warning that it "could prove very costly the next time a crisis hits."[23]

But you supported the bill, saying "our view has been that that combination of raising the threshold and giving us the ability to go below it in cases where needed gives us the tools that we need."[24] This is a damning statement in the wake of the SVB and Signature collapses. Either you were wrong, and the Fed did not have the 'tools that it needs' to apply sorely-needed regulatory requirements to banks with assets below $250 billion, or the Fed did have them, and you failed to use them effectively.

Your Decision to Eliminate Liquidity Requirements

In 2019, after supporting Congress's roll back of Dodd-Frank protections, you took steps to further deregulate the banking system, going even beyond the letter of the law to implement rules that, as then-Governor Lael Brainard noted, "weaken[ed] the safeguards at the core of the system."[25] Several of the rules you pushed through weakened – or flat out eliminated – guardrails that would have applied to SVB, which held about $209 billion in assets at the time of its failure and had held billions in on-balance sheet foreign exposure.[26] The bank's sudden failure has drawn particular attention to the Fed's 2019 decision to completely eliminate 'modified liquidity coverage ratio (LCR) requirements' for bank organizations with total assets between $100 and $250 billion,[27] and to significantly weaken LCR requirements, such that a bank with less than $250 billion in total assets but with over $10 billion in on-balance sheet foreign exposure would no longer be subject to LCR requirements.[28]

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[23] Bloomberg, "Congress Has Another Faulty Bank-Reform Bill," The Editors, March 7, 2018, https://www.bloomberg.com/opinion/articles/2018-03-07/congress-has-another-faulty-bank-reform-bill.

[24] The Wall Street Journal, "Powell Backs Senate Plan to Raise Threshold for 'Systemically Important' Banks," Lalita Clozel, February 27, 2018, https://www.wsj.com/articles/powell-backs-senate-plan-to-raise-threshold-for-systemically-important-banks-1519758028.

[25] Board of Governors of the Federal Reserve System, "Statement by Governor Lael Brainard," press release, October 10, 2019, https://www.federalreserve.gov/newsevents/pressreleases/brainard-statement-20191010.htm; Board of Governors of the Federal Reserve System, SVB Financial Group Systemic Risk Report, December 31, 2022, https://www.ffiec.gov/npw/FinancialReport/ReturnFinancialReportPDF?rpt=FRY15&id=1031449&dt=20221231.

[26] Forbes, "How Trump's Deregulation Sowed The Seeds for Silicon Valley Bank's Demise," Mayra Rodriguez Valladares, March 12, 2023, https://www.forbes.com/sites/mayrarodriguezvalladares/2023/03/12/how-trumps-deregulation-sowed-the-seeds-for-silicon-valley-banks-demise/?sh=19e653343208.

[27] Forbes, "How Trump's Deregulation Sowed The Seeds for Silicon Valley Bank's Demise," Mayra Rodriguez Valladares, March 12, 2023, https://www.forbes.com/sites/mayrarodriguezvalladares/2023/03/12/how-trumps-deregulation-sowed-the-seeds-for-silicon-valley-banks-demise/?sh=19e653343208; Federal Deposit Insurance Corporation, "Statement by Martin J. Gruenberg, Member, FDIC Board of Directors on the Final Rule on Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements," October 15, 2019, https://www.fdic.gov/news/speeches/2019/spoct1519a.html#_ftn5.

[28] Board of Governors of the Federal Reserve System, "SR 17-11: Interagency Frequently Asked Questions on Implementation of the Liquidity Coverage Ratio (LCR) Rule," October 23, 2017, https://www.federalreserve.gov/supervisionreg/srletters/sr1711.htm; Board of Governors of the Federal Reserve System, "Federal Reserve Board finalizes rules that tailor its regulation for domestic and foreign banks to more closely match their risk profiles," press release, October 10, 2019, https://www.federalreserve.gov/newsevents/pressreleases/bcreg20191010a.htm.

Prior to 2019, bank holding companies with total assets worth between $100 billion and $250 billion were subject to rules requiring them to hold enough high-quality liquid assets to withstand a 21-calendar day stress scenario,[29] a rule the Fed put in place to ensure that banks would have the cash needed to meet their obligations and protect our financial system from greater risk.[30] Banks with over $10 billion in on-balance sheet foreign exposure were subject to the full LCR rule, which went further to ensure that banks could meet their obligations in the face of risk.[31]

Under your leadership, the Fed eliminated these requirements and severely weakened others, going further than even the Wall Street-friendly EGRRCP mandated to allow banks with hundreds of billions of dollars in assets to make risky investments and threaten their solvency. [32] As then-Federal Deposit Insurance Corporation (FDIC) Board Member Martin Gruenberg argued at the time, the deregulatory rule – which you pushed through over his objections – "significantly underestimate[d] the liquidity risks posed by banking organizations with assets between $100 billion and $700 billion. The institutions in this asset range experienced significant liquidity stress during the [2008] financial crisis and had to make use of extraordinary liquidity support from the FDIC and the Federal Reserve, as well as capital support from the U.S. Treasury's Troubled Asset Relief Program."[33]

Put differently, when banks similar in size to, and with less foreign exposure than, SVB failed during the financial crisis, the government spent hundreds of billions in taxpayer dollars to stabilize them.[34] Congress then enacted Dodd-Frank to ensure that such a costly crisis – including the destabilizing failures of these banks with less than $250 billion in assets – would never happen again.[35]

During a hearing of the Senate Committee on Banking, Housing, and Urban Affairs (BHUA) in 2021 – after the Fed lowered the amount of high-quality liquid assets big banks would have to hold by $201 billion[36] – I asked you, "do you regret slashing liquidity requirements designed to protect markets from crashing like they did in 2008?"[37] You replied, "I don't, I don't see that

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[29] Federal Deposit Insurance Corporation, "Statement by Martin J. Gruenberg, Member, FDIC Board of Directors on the Final Rule on Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements," October 15, 2019, https://www.fdic.gov/news/speeches/2019/spoct1519a.html#_ftn5.
[30] *Id*.
[31] Board of Governors of the Federal Reserve System, "SR 17-11: Interagency Frequently Asked Questions on Implementation of the Liquidity Coverage Ratio (LCR) Rule," October 23, 2017, https://www.federalreserve.gov/supervisionreg/srletters/sr1711.htm.
[32] Board of Governors of the Federal Reserve System, "Federal Reserve Board finalizes rules that tailor its regulation for domestic and foreign banks to more closely match their risk profiles," press release, October 10, 2019, https://www.federalreserve.gov/newsevents/pressreleases/bcreg20191010a.htm.
[33] Federal Deposit Insurance Corporation, "Statement by Martin J. Gruenberg, Member, FDIC Board of Directors on the Final Rule on Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements," October 15, 2019, https://www.fdic.gov/news/speeches/2019/spoct1519a.html#_ftn5.
[34] U.S. Department of the Treasury, "Banking Investment Programs," https://home.treasury.gov/data/troubled-assets-relief-program/bank-investment-programs.
[35] Forbes Advisor, "How The Dodd-Frank Act Protects Your Money," Kelly Anne Smith and Benjamin Curry, March 10, 2023, https://www.forbes.com/advisor/investing/dodd-frank-act/.
[36] Board of Governors of the Federal Reserve System, "Statement by Governor Lael Brainard," press release, October 10, 2019, https://www.federalreserve.gov/newsevents/pressreleases/brainard-statement-20191010a.htm.
[37] Office of U.S. Senator Elizabeth Warren, "At hearing, Warren Presses Fed Chair Powell on Record of Deregulation, Opposes Renomination As Fed Chair," press release, September 28, 2021,

there has been any evidence that that was a bad idea."[38] Though you either ignored or did not see 'any evidence that it was a bad idea,' regulators on both sides of the aisle warned in 2019 that we needed only look to the financial crisis to understand why the Fed's decision to strip away LCR requirements for some of the nation's largest banks was a bad idea.[39] Now, due in no small part to your apparent inability to recognize the serious risks of discarding critical prudential safeguards like the modified LCR requirement, the nation has experienced the second- and third-largest bank failures in its history within a three day span.

Your Decision to Weaken Other Key Dodd-Frank Regulations

In addition to eliminating these LCR requirements, you compounded the risk of bank failures and economic contagion by weakening a number of other critical, Dodd-Frank regulations. Since 2017, the Fed has made stress tests "materially weaker," "reduce[d] the stress-based capital requirements," weakened the "living wills/resolution process planning process," such that "if a bank fails, the likelihood it will cause contagion is higher and, therefore, the likelihood of taxpayer bailouts is higher," and opened the door for greater bank exposure to "proprietary trading and investments in risky funds," "increasing leverage and risk."[40] During a BHUA hearing in 2021, I asked you whether you, in your capacity as Fed Chair, had led a single change to strengthen rules and make them tougher.[41] In response, you offered a misleading answer, saying, "the stress capital buffer, which we implemented quite recently after years of consideration, raises capital standards for the largest banks."[42] In reality, the new rule 'simplified' capital requirements for large banks, reducing the number of requirements for banks from 13 to eight.[43] As I told you then, "[t]he Fed's record over the past four years, I see one move after another to weaken regulation over Wall Street banks—and that worries me."[44]

https://www.warren.senate.gov/newsroom/press-releases/at-hearing-warren-presses-fed-chair-powell-on-record-of-deregulation-opposes-renomination-as-fed-chair.

[38] *Id*.

[39] The New York Times, "The Shutdown Isn't the Only Threat to the Economy," Sheila C. Bair and Gaurav Vasisht, January 10, 2019, https://www.nytimes.com/2019/01/10/opinion/shutdown-economy-recession.html; Federal Deposit Insurance Corporation, "Statement by Martin J. Gruenberg, Member, FDIC Board of Directors on the Final Rule on Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements," October 15, 2019, https://www.fdic.gov/news/speeches/2019/spoct1519a.html#_ftn5; Board of Governors of the Federal Reserve System, "Statement by Governor Lael Brainard," press release, October 10, 2019, https://www.federalreserve.gov/newsevents/pressreleases/brainard-statement-20191010.htm; Federal Reserve Statistical Release, "Large Commercial Banks," December 31, 2019, https://www.federalreserve.gov/releases/lbr/20191231/default.htm.

[40] Better Markets, "Federal Reserve Policies and Systemic Instability: Decoupling Asset Pricing from Underlying Risks," Dennis Kelleher and Phillip Basil, p. 22, January 17, 2023, https://bettermarkets.org/wp-content/uploads/2023/01/BetterMarkets_Federal_Reserve_Instability_Report_01-17-2023.pdf.

[41] Office of U.S. Senator Elizabeth Warren, "Warren to Fed Chair Powell: The Federal Reserve Needs to Be Tough Enough to Protect our Economy from the Next Crisis," press release, July 15, 2021, https://www.warren.senate.gov/newsroom/press-releases/warren-to-fed-chair-powell-the-federal-reserve-needs-to-be-tough-enough-to-protect-our-economy-from-the-next-crisis.

[42] *Id*.

[43] Board of Governors of the Federal Reserve System, "Federal Reserve Board approves rule to simplify its capital rules for large banks, preserving the strong capital requirements already in place," press release, March 4, 2020, https://www.federalreserve.gov/newsevents/pressreleases/bcreg20200304a.htm.

[44] *Id*.

And yet, just three days before SVB's collapse, you touted the Fed's work to chip away at the safeguards around our nation's banking system. When asked by Senate Republicans to maintain these corrosive regulatory policies, you stated that "[y]es, I can easily commit to that. We are very strongly committed to tailoring and anything we do will reflect tailoring, which is a long-held principle for us and now also a requirement in the law."[45]

Supervisory Failures Under Your Leadership

Your support for the EGRRCP and your aggressive bid to weaken – if not erase – post-financial crisis safeguards have contributed significantly to the kind of anemic regulatory *and* supervisory environments in which banks like SVB and Signature can concentrate their deposit bases in volatile sectors, expand at a "breakneck pace," fail "Banking 101" by neglecting to hedge against the risks of predictable interest rate-hikes,[46] and ultimately collapse, requiring massive federal intervention to prevent the spread of contagion to the entire banking system.[47]

With regard to supervision, it appears that the fervent deregulation undertaken by the Fed under your leadership has been accompanied by erosion of the supervisory capacity of the whole of the Federal Reserve System. As SVB's primary regulator, the Fed was responsible for "evaluat[ing] the overall safety and soundness" of the bank.[48] As experts have noted, the fact that the bank was distressed should have been clear to regulators.[49] Notably, as of December 2019, the year the Fed's 2019 rules weakening Dodd-Frank protections were finalized, SVB had just over $71 billion in assets.[50] As of December 2020, with the elimination of modified LCR requirements for banks with above $100 billion in assets in place,[51] SVB had over $115 billion in total assets.[52] By December 2022, SVB held $211 billion in assets.[53] The bank grew at an astonishing pace following the passage of EGRRCP and the Fed's accompanying deregulatory rules. As former Fed Governor Daniel Tarullo noted, "[r]apid growth should always be at least a yellow flag for

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[45] Senate Committee on Banking, Housing, and Urban Development, "The Semiannual Monetary Policy Report to the Congress," March 7, 2023, https://www.banking.senate.gov/hearings/02/28/2023/the-semiannual-monetary-policy-report-to-the-congress.
[46] The Wall Street Journal, "Where Were the Regulators as SVB Crashed," Ben Eisen and Andrew Ackerman, March 11, 2023, https://www.wsj.com/articles/where-were-the-regulators-as-svb-crashed-35827e1a.
[47] Federal Deposit Insurance Corporation, "Joint Statement by the Department of the Treasury, Federal Reserve, and FDIC," press release, March 12, 2023, https://www.fdic.gov/news/press-releases/2023/pr23017.html.
[48] The Wall Street Journal, "Where Were the Regulators as SVB Crashed," Ben Eisen and Andrew Ackerman, March 11, 2023, https://www.wsj.com/articles/where-were-the-regulators-as-svb-crashed-35827e1a; Board of Governors of the Federal Reserve System, "Supervisory Policy and Guidance Topics," December 28, 2022, https://www.federalreserve.gov/supervisionreg/topics/exam_n_supervision.htm.
[49] The Wall Street Journal, "Where Were the Regulators as SVB Crashed," Ben Eisen and Andrew Ackerman, March 11, 2023, https://www.wsj.com/articles/where-were-the-regulators-as-svb-crashed-35827e1a.
[50] SVB Financial Group, Securities and Exchange Commission Form 10-K, December 31, 2019, https://d18rn0p25nwr6d.cloudfront.net/CIK-0000719739/7e378d3a-e964-4a21-9209-1db147371d01.pdf.
[51] Board of Governors of the Federal Reserve System, "Federal Reserve Board finalizes rules that tailor its regulation for domestic and foreign banks to more closely match their risk profiles," press release, October 10, 2019, https://www.federalreserve.gov/newsevents/pressreleases/bcreg20191010a.htm.
[52] SVB Financial Group, Securities and Exchange Commission Form 10-K, December 31, 2020, https://d18rn0p25nwr6d.cloudfront.net/CIK-0000719739/a4d73acb-d9f8-4272-a4f7-885ca051dde6.pdf.
[53] *Id*.

supervisors."[54] As *The Wall Street Journal* reported, financial consultant Timothy Coffey "said regulators were aware that unrealized losses in banks' securities portfolios could lead to trouble, but didn't take specific steps to address the issue. 'This is something that's been rolling through the industry for several months… They did nothing to help [SVB].'"[55]

This is troubling – not least because Mr. Becker, while CEO of SVB, sat on the board of the directors of the Federal Reserve Bank of San Francisco (SF Fed), the body directly responsible for overseeing SVB.[56] In other words, the regional bank responsible for overseeing SVB was itself overseen by the bank's CEO.

This egregious conflict of interest is yet another example of the consistent spate of egregious ethics violations involving key officials across the Federal Reserve System – including those on the Board of Governors and leading the Reserve Banks. During your tenure as Fed Chair, you and four other top-ranking Fed officials have been found to have engaged in improper trading activity,[57] and a fifth "appeared behind closed doors and in front of Wall Street investors at a critical juncture for markets… [giving] the attendees a behind-the scenes snapshot into the thinking of a voting Fed policymaker and Citi a possible chance to profit from his comments."[58] A culture of corruption has taken root at the Fed under your leadership, and it appears now that the Fed's ability to effectively carry out its crucial supervisory and oversight responsibilities – and manage risks to our financial stability – may have been hampered by a dangerous combination of deregulation and egregious ethics failures.

Your Disregard for American Workers

The Fed's race to establish an emergency lending program for banks – albeit one that will support banks' customers[59] – stands in stark contrast to your lack of support for workers, and

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[54] The Wall Street Journal, "Where Were the Regulators as SVB Crashed," Ben Eisen and Andrew Ackerman, March 11, 2023, https://www.wsj.com/articles/where-were-the-regulators-as-svb-crashed-35827e1a.
[55] *Id*.
[56] Reuters, "CEO of failed Silicon Valley Bank no longer a director at San Francisco Fed," Michael S. Derby, March 10, 2023, https://www.reuters.com/markets/us/ceo-failed-silicon-valley-bank-no-longer-director-sf-fed-2023-03-10/.
[57] Wall Street Journal, "Dallas Fed's Robert Kaplan Was Active Buyer and Seller of Stocks Last Year," Michael S. Derby, September 7, 2021, https://www.wsj.com/articles/dallas-feds-robert-kaplan-was-active-buyer-and-seller-ofstocks-last-year-11631044094; The New York Times, "A Fed Official's 2020 Trade Drew Outcry. It Went Further Than First Disclosed," Jeanna Smialek, January 6, 2022, https://www.nytimes.com/2022/01/06/business/economy/richard-clarida-fed-stock-fund.html; The New York Times, "Fresh Fed financial disclosures omit the officials who ignited ethics scandal," Jeanna Smialek, June 24, 2022, https://www.nytimes.com/2022/06/24/business/fed-financial-disclosures-ethics.html; The New York Times, "After Trading Scandal, a Fed President Corrects His Financial Reports," Jeanna Smialek, October 14, 2022, https://www.nytimes.com/2022/10/14/business/federal-reserve-atlanta-raphael-bostic-trading.html; The New York Times, "A Fed President Spoke at an Invite-Only, Off-the-Record Bank Client Event," Jeanna Smialek, October 20, 2022 https://www.nytimes.com/2022/10/20/business/economy/james-bullard-citi-private-event.html.
[58] The New York Times, "A Fed President Spoke at an Invite-Only, Off-the-Record Bank Client Event," Jeanna Smialek, October 20, 2022, https://www.nytimes.com/2022/10/20/business/economy/james-bullard-citi-privateevent.html.
[59] Board of Governors of the Federal Reserve System, "Federal Reserve Board announces it will make available additional funding to eligible depository institutions to help assure banks have the ability to meet the needs of all their depositors," press release, March 12, 2023, https://www.federalreserve.gov/newsevents/pressreleases/monetary20230312a.htm.

your determination to hike interest rates until the Fed throws at least 2 million people out of their jobs – and likely sends the economy into a full-blown recession.[60] Indeed, last week, just three days before SVB failed, I asked you during a BHUA hearing how you would explain to American families the Fed's own projection that continuing to raise interest rates will cost 2 million Americans their jobs – and may not even address inflation.[61] You seemed to indicate that that would be a perfectly fine outcome, telling me that "even 4.5 percent unemployment is well better than most of the time for the last, you know, 75 years."[62] Now, as the Fed extends loans (without terms that would prohibit big executive payouts or inflationary stock buybacks) to banks facing liquidity crunches owing, in large part, to their own mismanagement and the Fed's deregulation, you appear to be willing to treat American families as collateral in your thus-far unsuccessful fight against inflation.[63]

Conclusion

Last week's failures of Silicon Valley Bank and Signature Bank represent a three-fold failure: the collapse was caused by a combination of banks' greed and mismanagement that was abetted by laws that weakened the Dodd-Frank Act, a weaker regulatory regime for banks, and failures of supervision by officials at the Federal Reserve. You aided and abetted all three of these failures, and you owe the public an explanation for your actions.

As I said after the Fed's announcement that it would launch an internal review of its supervision and regulation of SVB, your actions to allow big banks like Silicon Valley Bank to boost their profits by loading up on risk directly contributed to these bank failures. Given your responsibility for the these failures, for the Fed's inquiry to have credibility, you must immediately recuse yourself from this internal review and allow Vice Chair for Supervision Barr to have the independence necessary to do his job. And you must act quickly to fix your many mistakes that threatened the safety and soundness of our banking system. The Fed and other banking regulators must quickly step up to write strong rules that will protect American families from Wall Street greed and mismanagement.

I ask that you take action immediately to address this crisis, and that you provide answers to the following questions no later than March 29, 2023:

1. Do you agree that the passage of the EGRRCPA helped create the lapses in regulatory and supervisory standards that ultimately resulted in the collapse of SVB and Signature, and the threat of contagion posed by that collapse?

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[60] Bezinga, "2 Million People Would Lose Their Jobs By Year-End, Fed Official Forecast Says: How Might This Be Avoided?" Natan Ponieman, February 16, 2023, https://www.benzinga.com/government/23/02/30946283/2-million-people-would-lose-their-jobs-by-year-end-fed-official-forecast-says-how-might-this-be-avoi.
[61] Office of U.S. Senator Elizabeth Warren, "ICYMI: At Hearing, Senator Warren Calls out Chair Powell for Fed's Plan to Throw At Least 2 Million People Out of Work," press release, March 7, 2023, https://www.warren.senate.gov/newsroom/press-releases/icymi-at-hearing-senator-warren-calls-out-chair-powell-for-feds-plan-to-throw-at-least-2-million-people-out-of-work.
[62] *Id*.
[63] CNBC, "Inflation drops to 6%, but housing costs remain high—and the Fed is still watching 'supercore' inflation," Mike Winters, March 14, 2023, https://www.cnbc.com/2023/03/14/inflation-drops-to-6-percent-in-february-2023.html.

2. Do you support my legislation to repeal the elements of the EGRRCPA that weakened critical Dodd-Frank protections and restore much-needed safeguards to our banking system?

3. Do you agree that your 2019 rollback of LCR requirements helped create the conditions that ultimately resulted in the collapse of SVB and the threat of contagion posed by that collapse?

4. Do you agree that your decision to make stress tests weaker helped create the conditions that ultimately resulted in the collapses of SVB and Signature Bank and the threat of contagion posed by those collapses?

5. Do you agree that your decision to reduce stress-based capital requirements helped create the conditions that ultimately resulted in the collapse of SVB and the threat of contagion posed by that collapse?

6. Do you agree that your decision to weaken the living will/resolution planning process helped create the conditions that ultimately resulted in the collapse of SVB and Signature Bank and the threat of contagion posed by those collapses?

7. Will you commit to reimplementing the rules that you rolled back? If so, what is your timeline for this rulemaking?

8. Have you reviewed the supervisory efforts of the SF Fed? Do you agree that failures in the supervisory process helped create the conditions that ultimately resulted in the collapse of SVB and the threat of contagion posed by that collapse?

9. In particular, do you believe the conflict of interest posed by former SVB CEO Gregory Becker's role on the Board of Directors may have played a role in the SF Fed's supervision of SVB?

10. Have you acted to limit conflicts of interest like those posed by Mr. Becker's dual role as SVB CEO and SF Fed board member?

11. Will you commit to full recusal from the Fed's internal review of the regulation and supervision of SVB?

Sincerely,

Elizabeth Warren

Elizabeth Warren
United States Senator