Statement of Chairman Sherrod Brown
March 28, 2023

Thanks to the New Deal and the hard work of our regulators today, most bank failures, while never a good thing, are generally not a big deal.

But the quick collapses of Silicon Valley Bank and Signature Bank were no ordinary failures.

In less than a day, Silicon Valley Bank customers pulled $42 billion out of the bank – fueled by venture capitalists and their social media accounts. They created the largest and fastest bank run in history. In the following days, Signature Bank lost $17.8 billion.

Regulators – both Republicans and Democrats – came together to prevent the panic from spreading.

They increased liquidity, promoted confidence in our banking system, and protected the deposits of customers and small businesses – not 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 capitalists panicking on Twitter 2,000 miles away.

One woman told me she was terrified she wouldn't be able to pay her workers the next week.

And Ohio banks and credit unions 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 other people's bad decisions. And we're left with many questions—and justified anger—toward bank executives and boards, toward venture capitalists, toward federal and state bank regulators, and toward policymakers.

The scene of the crime does not start with the regulators before us. Instead, we must look inside the bank, at the bank CEOs, and at the Trump-era banking regulators, who made it their mission 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 have 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 at 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, and Signature Bank more than doubled in that time.

The principles here are not complicated—banks should be prudently managed and be mindful of the full scope of risks they face, and should diversify across customers and products.

This 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 sheet risk, moral hazard, stress tests, liquidity ratios.

Really though, it comes down to more basic concepts – hubris, entitlement, greed. And always with big paydays for the executives at the top.

The CEOs' own pay was tied directly to the growth at 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 Valley 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 and panic.

Signature Bank found itself in the middle of Sam Bankman-Fried's crime spree at the crypto exchange FTX. The bank let him open multiple accounts and ignored red flag after red flag.

It's all just a variation on the same theme – the same root cause of most of our economic problems:

Wealthy elites do anything to make a quick profit and pocket the rewards. And when their risky behavior leads to catastrophic failures, they turn to the government asking for help, expecting workers and taxpayers to pay the price.

Even though no taxpayer money is being used to save these depositors, I understand why many Americans are angry – even disgusted – 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 in Ohio and across the industrial Midwest. So is a Wall Street business model that rewards short-term profits over investments in 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 Silicon Valley.

I hope that from now on, those who have no problem with government intervention to protect their own livelihoods will think a little 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 real problem was these arrogant executives.

But there will always be arrogant executives. That's exactly why we need strong rules, and public servants with the courage to stand up to bank lobbyists and enforce them.

The officials sitting 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 greenlighted these banks to grow too big, too fast.

There are important questions about deposit insurance we must examine to consider – whether the current amount works for everyone, including small businesses who need and want to make payroll.

We expect bank executives to understand the basic principles of bank management and to know they can't grow a bank by over-concentrating business in specialized areas and then 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 banks' downfalls. I have called on the former CEOs of these failed banks to testify and I thank Ranking Member Scott for joining me 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, none have had their compensation clawed back, none have paid any fines.

Some executives have decamped to Hawaii. Others have already gone on 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 cashbox.

That's why I'll be introducing legislation to strengthen regulators' ability to impose fines and penalties, claw back bonuses, and ban executives who caused bank failures from working at another bank ever again.

We also need to look at bank regulators' ability to not only identify risks and problems at banks, but to 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 am looking forward to hearing from our financial watchdogs today. We will be watching them to make sure they assess the damage, hold accountable those responsible, and fix what is broken.

Last, I ask my colleagues to work together to make sure that our financial system is stronger after this crisis.

Americans have watched the same pattern over and over:

A crisis occurs. Some of us push for reforms – and if we're lucky, we're able to seize the moment, and actually pass some.

And then the lobbyists go to work.

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.

And we know who's the first to get help in any crisis.

It's little wonder that workers in Ohio and around the country don't trust banks, and don't trust their own government. It's time we proved them wrong – ignore corporate lobbyists, and put workers and their families first.