

TIM SCOTT, SOUTH CAROLINA, CHAIRMAN
ELIZABETH WARREN, MASSACHUSETTS, RANKING MEMBER

MIKE CRAPO, IDAHO
MIKE ROUNDS, SOUTH DAKOTA
THOM TILLIS, NORTH CAROLINA
JOHN KENNEDY, LOUISIANA
BILL HAGERTY, TENNESSEE
CYNTHIA LUMMIS, WYOMING
KATIE BOYD BRITT, ALABAMA
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JIM BANKS, INDIANA
KEVIN CRAMER, NORTH DAKOTA
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DAVID MCCORMICK, PENNSYLVANIA

JACK REED, RHODE ISLAND
MARK R. WARNER, VIRGINIA
CHRIS VAN HOLLEN, MARYLAND
CATHERINE CORTEZ MASTO, NEVADA
TINA SMITH, MINNESOTA
RAPHAEL G. WARNOCK, GEORGIA
ANDY KIM, NEW JERSEY
RUBEN GALLEGO, ARIZONA
LISA BLUNT ROCHESTER, DELAWARE
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LILA NIEVES-LEE, STAFF DIRECTOR
JON DONENBERG, DEMOCRATIC STAFF DIRECTOR

United States Senate
COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS
WASHINGTON, DC 20510-6075

January 14, 2025

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

Mary Daly
President and Chief Executive Officer
Federal Reserve Bank of San Francisco
101 Market Street
San Francisco, CA 94105

Dear Chair Powell and President Daly:

I write to reiterate my information request of March 23, 2023, regarding the failure of Silicon Valley Bank (“SVB”) and the Federal Reserve’s failure to properly respond to apparent bank mismanagement, lack of risk controls, and other warning signs at SVB prior to its collapse.¹

As you know, I requested that you provide a detailed set of records related to this matter by no later than April 6, 2023.² While I appreciate that you have responded to our letter with some of the information I requested, your response to date is insufficient.

As I step into the role of Chairman of the Banking Committee, I expect the Federal Reserve to fully and promptly comply with my requests for information. This cooperation is essential as my Senate colleagues and I work diligently to craft legislation that serves the best interests of the American people. Congressional oversight is a fundamental pillar of our democracy. It maintains the balance of power among the branches of government and makes public officials accountable to the American people they serve. Congressional oversight also helps contribute to better policymaking and builds public trust in government. To that end, I ask that you provide by no later than January 19, 2025, all information that I requested in my letter of March 23, 2023, that the Federal Reserve has not produced to date.

Thank you for your attention to this important issue.

Sincerely,



Tim Scott

Chairman

¹ Letter from Banking Committee Ranking Member Tim Scott *et al.* to Federal Reserve Board Chair Jerome Powell and San Francisco Federal Reserve Bank President Mary Daly (Oct. 2, 2024), *available at* Appendix 1.

² *Id.*

Appendix 1

SHERROD BROWN, OHIO, CHAIRMAN
TIM SCOTT, SOUTH CAROLINA, RANKING MEMBER

JACK REED, RHODE ISLAND
KUBERT MENENDEZ, NEW JERSEY
JON TESTER, MONTANA
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JOHN FETTERMAN, PENNSYLVANIA

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MIKE HUNDUS, SOUTH DAKOTA
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BILL HAGERTY, TENNESSEE
CYNTHIA LUMMIS, WYOMING
J.D. VANCE, OHIO
KATIE BRITT, ALABAMA
KEVIN CRAMER, NORTH DAKOTA
STEVE DAINES, MONTANA

Laura Swanson, Staff Director
Lila Nieves-Lee, Republican Staff Director

United States Senate
COMMITTEE ON BANKING, HOUSING, AND
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WASHINGTON, DC 20510-6075

March 23, 2023

The Honorable Jerome Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Mary Daly
President and Chief Executive Officer
Federal Reserve Bank of San Francisco
101 Market Street
San Francisco, CA 94105

Dear Chair Powell and President Daly:

We write to request more information from the Federal Reserve System (“Federal Reserve”), including the Board of Governors (“Fed Board”) and the Federal Reserve Bank of San Francisco (“SF Fed”), regarding the recent failure of Silicon Valley Bank (“SVB”) and the failure of the Federal Reserve to properly respond to apparent bank mismanagement, lack of risk controls, and other warning signs at SVB prior to its collapse.

We are deeply concerned by the recent demise of SVB—the second largest bank failure in U.S. history—and the actions undertaken by both SVB management and the Federal Reserve leading up to SVB’s collapse. From publicly available information, it is now well understood that SVB suffered from rampant mismanagement, ultimately resulting in its catastrophic failure.¹ Even more concerning, however, is the apparent failure of SVB’s regulators, including the Federal Reserve, the primary federal regulator responsible for examining and supervising SVB, to ensure that the bank operated in a safe and sound manner.²

It is evident that, in the months and years preceding the failure of SVB, several areas of concern should have been readily apparent to the Federal Reserve. For instance, SVB had experienced

¹ See e.g., Jeanna Smialek, *Before Collapse of Silicon Valley Bank, the Fed Spotted Big Problems*, The New York Times (Mar. 19, 2023), <https://www.nytimes.com/2023/03/19/business/economy/fed-silicon-valley-bank.html>; Andrew Ackerman and Dave Michael, *Fed Raised Concerns About SVB’s Risk Management in 2019*, The Wall Street Journal (Mar. 19, 2023), <https://www.wsj.com/articles/fed-raised-concerns-about-svbs-risk-management-in-2019-4a1d802c?st=dd211f9n7vwlj9v&>.

² SVB was subject to supervision and examination by the Federal Reserve at the federal level and the California Department of Financial Protection & Innovation at the state level. See also, e.g., Aaron Klein, *SVB’s collapse exposes the Fed’s massive failure to see the bank’s warning signs*, The Brookings Institution (Mar. 16, 2023), <https://www.brookings.edu/opinions/svbs-collapse-exposes-the-feds-massive-failure-to-see-the-banks-warning-signs/>.

rapid growth since 2019,³ and yet its corresponding assets and liabilities do not appear to have been appropriately diversified.⁴ SVB accumulated assets that included a sizeable securities portfolio that suffered enormous losses after the Federal Reserve began rapidly raising interest rates, thus failing to appropriately manage its interest rate risk during a period of rampant inflation. Additionally, approximately 96% of the deposits held at SVB were uninsured, from a depositor base that was highly concentrated with technology sector startups and venture capital firms. Moreover, SVB failed to employ a Chief Risk Officer for eight months in 2022.

In sum, a number of warning signs existed at SVB in the months and years leading up to its closure, and per reports, these “risky practices were on the Federal Reserve’s radar for more than a year—an awareness that proved insufficient to stop the bank’s demise.”⁵ Rather than effectively directing SVB management to take definitive, corrective action, it is apparent that the Federal Reserve supervisors and examiners neglected to intervene in a meaningful, appropriate way to rectify the bank’s deficiencies, ensure safe and sound operations, and prevent its ultimate failure.

The American people deserve transparency and accountability from their government officials, and they are entitled to understand precisely what Federal Reserve officials knew about the apparent risks associated with SVB, when they knew it, and why they failed to act to prevent the bank failure from occurring. Accordingly, in our capacity as members of the Senate Committee on Banking, Housing and Urban Affairs, with oversight jurisdiction over the Federal Reserve System, we request that you provide the following information no later than April 6, 2023:

1. All reports of examination and supporting documentation for any such reports since January 1, 2019, related to SVB, including, but not limited to, all CAMELS ratings determinations; Matters Requiring Attention; Matters Requiring Immediate Attention; and the results of all Horizontal Liquidity Reviews and/or Horizontal Capital Reviews;
2. All supervisory determinations and supporting documentation for any such determinations since January 1, 2019, related to SVB, including, but not limited to, all LFI ratings determinations; supervisory appeals and/or applications, such as SVB’s application to acquire Boston Private Financial Holdings; and any contingency funding plans;
3. All records⁶ related to any identified risks, including, but not limited to, safety and soundness risks, associated with SVB’s management of its interest rate risk since January 1, 2019;

³ Average total consolidated assets of the institution grew from nearly \$68 billion at the end of 2019 to nearly \$214 billion at the end of 2022, while total deposits grew from nearly \$63 billion to over \$175 billion over the same time period, including deposit growth from just over \$103 billion to over \$191 billion in 2021 alone. *See* FFIEC filings, i.e. Silicon Valley Bank, Consolidated Reports of Condition and Income for A Bank With Domestic and Foreign Offices (Call Report Form 031) (Dec. 31, 2019) (Dec. 31, 2020) (Dec. 31, 2021) (Dec. 31, 2022).

⁴ *See* SVB Financial Group. Annual Report on Form 10-K for the year ended December 31, 2022. Feb. 24, 2023.

⁵ Emily Flitter and Rob Copeland, *Silicon Valley Bank Fails After Run on Deposits*, New York Times (Mar.14, 2023), <https://www.nytimes.com/2023/03/10/business/silicon-valley-bank-stock.html>.

⁶ The term “records” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded or preserved, and whether original or copy.

4. All records related to any identified risks, including, but not limited to, safety and soundness risks, associated with SVB's reliance on uninsured deposits since January 1, 2019;
5. All records related to any identified risks, including, but not limited to, safety and soundness risks, associated with SVB's management of its concentration risk since January 1, 2019;
6. All records related to any identified risks, including, but not limited to, safety and soundness risks, associated with SVB's accelerated growth since January 1, 2019;
7. All records related to any identified risks, including, but not limited to, safety and soundness risks, associated with SVB not having a Chief Risk Officer for approximately eight months in 2022;
8. All calendar entries of the following Federal Reserve officials that were created or generated since July 1, 2022:
 - a. All members of the Fed Board;
 - b. The president and first vice president of the SF Fed; and
 - c. All examiners in charge of examining SVB; and
9. All records and communications between any Federal Reserve employee and the *New York Times* or any other media outlet related to SVB since March 9, 2023;
10. All records between or among any member, member's designee, or staff of the Fed Board and any member, member's designee, officials, or staff of the SF Fed related to SVB, including but not limited to any supervisory determination, since January 1, 2019;
11. The percentage of Federal Reserve employees supervising or examining SVB who, in any pay period, worked from home more than half the time, for each calendar year from 2020 to the present; and
12. All records related to SVB between or among SVB's Chief Executive Officer, SVB's Chief Financial Officer, and/or any member of SVB's board of directors and the president of the SF Fed and/or any member of the Fed Board since January 1, 2019.

Thank you for your attention to this important matter.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Tim Scott', with a stylized flourish at the end.

Tim Scott
Ranking Member



Mike Crapo
U.S. Senator



Mike Rounds
U.S. Senator



Thom Tillis
U.S. Senator



John Kennedy
U.S. Senator



Bill Hagerty
U.S. Senator



Cynthia Lummis
U.S. Senator



J. D. Vance
U.S. Senator



Katie Boyd Britt
U.S. Senator



Kevin Cramer
U.S. Senator



Steve Daines
U.S. Senator