



United States House of Representatives  
One Hundred Eighteenth Congress  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

March 17, 2023

The Honorable Eugene Dodaro  
Comptroller General of the United States  
Government Accountability Office  
441 G St., NW  
Washington, DC 20548

Dear Comptroller General Dodaro:

We write to request that the Government Accountability Office (GAO) begin an immediate evaluation and investigation into the events that transpired in the financial system over the last week. GAO should focus on examining the factors that led to potential mismanagement at Silicon Valley Bank and Signature Bank; the changing conditions and analyses that occurred between March 10 and 12; any regulatory, supervisory or examination failures in the Federal Reserve System (Fed) and the Federal Deposit Insurance Corporation (FDIC). The competency and qualifications of supervisory management and personnel should be included in this review. Separately, GAO should examine the decisions and actions taken by the FDIC, the Fed, and the Secretary of the Treasury surrounding the recent bank failures, enhanced prudential standards, and systemic risks.

As you know, the two bank failures and ensuing financial instability occurred quickly. On Friday, March 10, 2023, the California Department of Financial Protection and Innovation closed Silicon Valley Bank, Santa Clara, California, and appointed the FDIC as receiver.<sup>1</sup> On Sunday, March 12, 2023, the New York State Department of Financial Services closed Signature Bank, New York, New York, and appointed the FDIC as receiver.<sup>2</sup> By Sunday March 12, Treasury Secretary Janet Yellen, Federal Reserve Board Chair Jerome H. Powell, and FDIC Chairman Martin J. Gruenberg announced that the boards of the FDIC and the Federal Reserve recommended, in consultation with the President, the Secretary approve an invocation the FDIC's "systemic risk exception" for each of the two aforementioned financial institutions. The result of this decision made all depositors of those institutions whole—those with balances at or

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<sup>1</sup> "FDIC Creates a Deposit Insurance National Bank of Santa Clara to Protect Insured Depositors of Silicon Valley Bank, Santa Clara, California," Press Release, FDIC, Friday, March 10, 2023 (updated March 12, 2023 and available at <https://www.fdic.gov/news/press-releases/2023/pr23016.html>).

<sup>2</sup> "FDIC Establishes Signature Bridge Bank, N.A., as Successor to Signature Bank, New York, NY," Press Release, Sunday, March 12, 2023 (updated and available at <https://www.fdic.gov/news/press-releases/2023/pr23018.html#:~:text=As%20receiver%2C%20the%20FDIC%20will%20operate%20Signature%20Bridge,operates%20under%20a%20board%20appointed%20by%20the%20FDIC.>).

below the FDIC insured maximum of \$250,000 and as well as those with balances above that maximum.<sup>3</sup>

At the same time, on Sunday, March 12, 2023, the Fed announced the establishment of a new Bank Term Funding Program (BTFP), to provide loans of up to one year in duration to banks, savings associations, credit unions, and other eligible depository institutions pledging Treasury securities, agency debt, and mortgage-backed securities, and other unspecified “qualifying assets” as collateral.<sup>4</sup> The assets will be valued at par, meaning that BTFP borrowers can swap Fed approved securities, many of which are likely below par value, at current market prices, for cash in an amount equal to the par value of the securities. With the Treasury Secretary’s approval, the Treasury Department made \$25 billion available from the Exchange Stabilization Fund to backstop the BTFP.

Moreover, there are reports that there were questionable stock sales and bonus payments made days if not hours before the bank closed that should be examined.<sup>5</sup> There’s also questions about the role of investment bank underwriters,<sup>6</sup> credit rating agencies,<sup>7</sup> and the Federal Home Loan Bank (FHLB) system<sup>8</sup> that you should examine as well.

Separate and apart from this, it appears that the FDIC, for reasons not fully understood at this time, was not able to secure a buyer for Silicon Valley Bank. A willing buyer would have provided for an orderly resolution and closure of Silicon Valley Bank, including re-opening the bank under a new name and with new owners, on Monday, March 13. The absence of a buyer may have injected new risk in the financial system on Sunday, March 12.

It is critical the House Committee on Financial Services understand the events of the last week, including bank mismanagement and failures; supervisory and examination failures; and the decisions or lack thereof in the days leading up to the announcement of these extraordinary actions on the night of March 12. An external evaluation and investigation by GAO will help supplement the material loss reviews the FDIC and Federal Reserve Inspectors General are expected to do, along with the Fed’s announcement on Monday, March 13, 2023, to “review ...

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<sup>3</sup> “Joint Statement by the Department of the Treasury, Federal Reserve, and FDIC,” Press Release, FDIC, Sunday, March 12, 2023, available at <https://www.fdic.gov/news/press-releases/2023/pr23017.html> .

<sup>4</sup> “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, Federal Reserve Board, March 12, 2023, 6:15 p.m. EDT, available at <https://www.federalreserve.gov/newsevents/pressreleases/monetary20230312a.htm> .

<sup>5</sup> For example, see “Silicon Valley Bank CEO Sold \$3.6 Million In Shares Days Before Fatal Loss Disclosed,” Wall Street Journal, March 10, 2023, available at <https://www.wsj.com/livecoverage/stock-market-news-today-03-10-2023/card/silicon-valley-bank-ceo-sold-3-6-million-in-shares-days-before-fatal-loss-disclosed-6re8L8VDWjk956bOLaDD>; and “Silicon Valley Bank employees received bonuses hours before government takeover,” CNBC, March 11, 2023, available at <https://www.cnbc.com/2023/03/11/silicon-valley-bank-employees-received-bonuses-hours-before-takeover.html>.

<sup>6</sup> For example, see “New Questions About Goldman Sachs’s Work With Silicon Valley Bank,” New York Times, March 15, 2023, available at <https://www.nytimes.com/2023/03/15/business/goldman-svb-silicon-valley-bank.html>.

<sup>7</sup> For example, see “How credit ratings are playing a key role in the unfolding banking crisis,” Insider, March 16, 2023, available at <https://www.businessinsider.com/explainer-credit-ratings-agencies-sp-moodys-fitch-svb-bank-crisis-2023-3>.

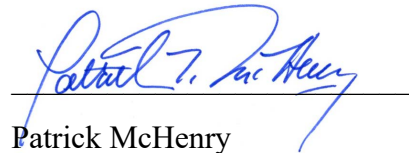
<sup>8</sup> For example, see “After big bank failure, renewed questions about Home Loan Bank System,” American Banker, March 10, 2023, available at: <https://www.americanbanker.com/news/after-big-bank-failure-renewed-questions-about-home-loan-bank-system>.

the supervision and regulation of Silicon Valley Bank, in light of its failure.” The review will be led by the Vice Chair for Supervision and released by May 1.<sup>9</sup>

The House Financial Services Committee is working responsibly to get to the bottom of what happened over the last week. We are interested in determining whether there are additional banks like the two described above that have similar asset growth, deposit concentration, and maturity mismatches within their portfolios. We recognize this evaluation and investigation may take some time. We ask that you provide an interim report on your findings no later than April 28, 2023.

We value the nonpartisan and professional work done at the GAO under your leadership and appreciate your attention to this request.

Sincerely,



Patrick McHenry  
Chairman  
Committee on Financial Services



The Honorable Maxine Waters  
Ranking Member  
Committee on Financial Services

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<sup>9</sup> “Federal Reserve Board announces that Vice Chair for Supervision Michael S. Barr is leading a review of the supervision and regulation of Silicon Valley Bank, in light of its failure,” Press Release, Federal Reserve Board, March 13, 2023, for release at 4:00 p.m. EDT, available at <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20230313a.htm> .