

MEMORANDUM

To: Members of the Committee on Financial Services

From: Committee Staff

Date: May 12, 2023

Re: May 17, 2023, Joint Subcommittee Hearing: “Continued Oversight Over Regional Bank Failures”

On Wednesday, May 17, 2023, at 10:00 am in Room 2128 of the Rayburn House Office Building, the Subcommittees on Financial Institutions and Monetary Policy and the Subcommittee on Oversight and Investigations will hold a joint hearing titled “Continued Oversight Over Regional Bank Failures.” The hearing will consist of two witness panels set out below.

Panel 1:

- Mr. Greg Becker, former Chief Executive Officer, Silicon Valley Bank
- Mr. Scott Shay, co-founder and former Chairman, Signature Bank
- Mr. Michael Roffler, former CEO and President, First Republic Bank

Panel 2:

- The Honorable Adrienne Harris, Superintendent, New York Department of Financial Services
- The Honorable Clothilde “Cloey” Hewlett, Commissioner, California Department of Financial Protection and Innovation

Background

This hearing will enable the Committee to obtain the views of management of Silicon Valley Bank (SVB), Santa Clara, CA, and Signature Bank, New York, NY on events surrounding the banks’ failure as well as the regulatory and supervisory frameworks for both banks. Events leading up to the closure of the banks and interactions with federal and state regulators, supervisors, and examiners will be examined. The hearing will also review the activities and decisions of federal and state regulators, receiverships, and steps toward resolving the failed banks by the New York Department of Financial Services (DFS) and the California Department of Financial Protection and Innovation (DFPI), along with supervisory reviews recently published by those state regulators.

Timeline of Events

March 8, 2023:

- SVB announced that it had sold \$21 billion of securities holdings to cover withdrawal requests at a \$1.8 billion loss. In response, SVB Financial Group (SVB's holding company) announced its intention to issue \$2.25 billion in share offerings to raise capital.

March 9, 2023:

- SVB experienced \$42 billion in deposit withdrawals.

March 10, 2023:

- The California Department of Financial Protection and Innovation closed SVB during the day and appointed the FDIC as receiver.
- The Secretary of the Treasury convened "leaders" from the Federal Reserve, the FDIC, and the Office of the Comptroller of the Currency "to discuss developments around Silicon Valley Bank."

March 11, 2023:

- The FDIC reportedly conducted an auction for a purchase and assumption (P&A) of SVB.

March 12, 2023:

- The New York Department of Financial Services closed Signature Bank and appointed the FDIC as receiver.
- The FDIC, in conjunction with the FRB and Treasury Secretary, in consultation with the President, invoked the Systemic Risk Exception to the FDIC's least cost resolution mandate to insure all deposits (including uninsured balances) of SVB and Signature Bank.
- The FRB, using Federal Reserve Act section 13(3) authority, established the Bank Term Funding Program (BTFP), offering banks loans of up to one year on U.S. Government collateral at the par value of the securities.
- The Treasury Secretary, in her role as Chairperson of the Financial Stability Oversight Council (FSOC) convened an FSOC meeting to discuss developments associated with the failures of SVB and Signature Bank.

March 13, 2023:

- The FDIC announced that it restarted the auction for SVB and began an auction for Signature Bank.

- The Federal Reserve Board announced that Vice Chair for Supervision Michael Barr will lead a review of the supervision and regulation of SVB, in light of its failure.

March 16, 2023:

- A consortium of 11 large U.S. banks moved \$30 billion in deposits to First Republic Bank to shore up its financial position.

March 17, 2023:

- SVB Financial files for Chapter 11 bankruptcy.

March 19, 2023:

- The FDIC announced that Flagstar Bank, N.A. a wholly owned subsidiary of New York Community Bancorp, will purchase the loan portfolio and substantially all deposits of Signature Bridge Bank, N.A. FDIC estimates that the failure and resolution of Signature Bank will likely cost the Deposit Insurance Fund (DIF) \$2.5 billion.

March 20, 2023:

- The FDIC announced an extension of SVB’s auction proceeding.

March 27, 2023:

- The FDIC announced that First-Citizens Bank & Trust purchased \$72 billion of SVB Bridge Bank, N.A.’s \$167 billion in total assets at a \$16.5 billion discount. FDIC estimates that the failure and resolution of SVB will likely cost the DIF \$20 billion.

Reviews and Reports on SVB, Signature Bank, and Systemic Actions

Below are the reports related to the supervision and activities of SVB, Signature Bank, and emergency actions undertaken by the regulators and the Secretary of Treasury (systemic risk exceptions for SVB and Signature Bank, and establishment by the Federal Reserve of the Bank Term Funding Program under authorities provided in Section 13(3) of the Federal Reserve Act):

- “*Internal Review of the Supervision and Closure of Signature Bank,*” April 28, 2023, New York Department of Financial Services, available at https://www.dfs.ny.gov/system/files/documents/2023/04/nydfs_internal_review_rpt_signature_bank_20230428.pdf.
- “*Preliminary Review of Agency Actions Related to March 2023 Bank Failures,*” April 28, 2023, U.S. Government Accountability Office, available at <https://www.gao.gov/assets/gao-23-106736.pdf>.

- “*FDIC’s Supervision of Signature Bank*,” April 28, 2023, Federal Deposit Insurance Corporation, available at <https://www.fdic.gov/news/press-releases/2023/pr23033a.pdf> .
- “*Review of the Federal Reserve’s Supervision and Regulation of Silicon Valley Bank*” (with open cover letter by Federal Reserve Vice Chairman for Supervision, Michael Barr), April 28, 2023, available at <https://www.federalreserve.gov/publications/files/svb-review-20230428.pdf> .
- “*Review of DFPI’s Oversight and Regulation of Silicon Valley Bank*,” May 8, 2023, California Department of Financial Protection & Innovation, available at <https://dfpi.ca.gov/wp-content/uploads/sites/337/2023/05/Review-of-DFPIs-Oversight-and-Regulation-of-Silicon-Valley-Bank.pdf> .