

United States House of Representatives  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, D.C. 20515

May 3, 2023

The Honorable Patrick McHenry  
Chairman  
House Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman McHenry:

I write to request that you immediately schedule a Committee hearing and invite the Chief Executive Officers (CEOs) of Silicon Valley Bank (SVB), Signature Bank, and First Republic Bank to testify. As you know, SVB failed on March 10<sup>th</sup>, Signature Bank failed on March 12<sup>th</sup>, and First Republic Bank failed on May 1<sup>st</sup>, and these represented the 2<sup>nd</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> largest bank failures in U.S. history, and combined they had more assets than the 25 banks that failed in 2008 at the apex of the global financial crisis.<sup>1</sup> After SVB and Signature Bank failed, we worked together to announce the first in a series of hearings and convened the first hearing 17 days later on March 29<sup>th</sup> with senior officials from the Board of Governors of the Federal Reserve System (Fed), Federal Deposit Insurance Corporation (FDIC), and the U.S. Department of the Treasury (Treasury).<sup>2</sup> It has been reported that another Committee will be holding a hearing with at least some of these CEOs in two weeks.<sup>3</sup> While I am aware there has been outreach to explore a potential hearing with SVB and Signature Bank's CEOs, I believe these efforts should be accelerated so that our Committee can hear this month directly from those responsible for running these three banks if we wish to conduct a truly comprehensive review of these large bank failures.

As we learned in the first hearing, the Fed's Vice Chair of Supervision characterized SVB's failure as a textbook case of mismanagement. After receiving repeated warnings from regulators for years that the bank had weak liquidity risk management, among other deficiencies, why did the bank not work to correct those more aggressively? Moreover, it was alarming to see reports that SVB's CEO, Greg Becker, sold \$3.6 million worth of shares on February 27<sup>th</sup>, just a few days before the bank failed.<sup>4</sup> What did Mr. Becker know about the bank's condition at that time, and did he break any laws? With respect to Signature Bank's CEO, Joseph DePaolo, he has been sued by shareholders for allegedly engaging in fraud related to his bank's failure,<sup>5</sup> so how does Mr. DePaolo respond to these allegations? What role did the bank's involvement in digital assets contribute to the bank's failure? With respect to First Republic's CEO, Michael Roffler, he became CEO of the bank last year, but was the Chief Financial Officer since 2015, and previously served

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<sup>1</sup> New York Times, [3 Failed Banks This Year Were Bigger Than 25 That Crumbled in 2008](#) (May 1, 2023).

<sup>2</sup> FSC hearing, [The Federal Regulators' Response to Recent Bank Failures](#) (Mar. 29, 2023).

<sup>3</sup> CNBC, [Former top execs of SVB and Signature Bank will testify at Senate hearing this month](#) (May 3, 2023).

<sup>4</sup> CNBC, [SVB execs sold \\$84 million in stock over the past 2 years, stoking outrage over insider trading plans](#) (Mar. 14, 2023).

<sup>5</sup> Reuters, [Signature Bank, former CEO are sued by shareholders for fraud](#) (Mar. 14, 2023).

as a Certified Public Accountant at KPMG for 16 years. What steps did Mr. Roffler take to ensure First Republic had robust risk management controls in place to manage the bank's growth in a safe and sound way, and appropriately manage their liquidity risks in light of their large amount of uninsured deposits in an environment where the Fed was quickly raising interest rates? How were the compensation packages for these three CEOs designed, and were there adequate safeguards to ensure they were not incentivized to engage in risky activity that contributed to the bank's failure? These are but a few of the questions Congress and the public deserve answers to.

In closing, we should not shirk our duties by allowing other Committees to do our work for us in conducting a comprehensive review of these massive bank failures. To that end, I hope we can continue our bipartisan approach investigating this matter and respectfully request that you promptly invite the three CEOs to appear before the Committee without further delay.

Sincerely,



MAXINE WATERS

Ranking Member

Committee on Financial Services