

March 18, 2023

Mr. Richard Delmar  
Deputy Inspector General  
Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220

Mr. Tyler Smith  
Acting Inspector General  
Federal Deposit Insurance Corporation  
3501 Fairfax Drive  
Arlington, VA 22226

Mr. Mark Bialek  
Inspector General  
Board of Governors of the Federal Reserve System  
20th and Constitution Avenue, N.W.  
Washington, D.C. 20551

Dear Inspectors General Delmar, Smith, and Bialek:

I am writing to ask that you immediately open a thorough, independent investigation of the causes of the bank management and regulatory and supervisory problems that resulted in this month's failure of Silicon Valley Bank (SVB) and Signature Bank (Signature) and deliver preliminary results within 30 days.<sup>1</sup> These failures were extraordinary events: they were the second- and third-largest bank failures in the nation's history, which – until the Treasury Department, in consultation with the Federal Reserve and Federal Deposit Insurance Corporation (FDIC), determined them to be “systemic risks” and intervened to guarantee billions of dollars of deposits – threatened economic contagion and severe damage to the banking and financial systems.<sup>2</sup>

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<sup>1</sup> Wall Street Journal, “What Happened With Silicon Valley Bank?”, Telis Demos, March 14, 2023, <https://www.wsj.com/articles/silicon-valley-bank-svb-financial-what-is-happening-299e9b65>.

<sup>2</sup> Wall Street Journal, “Silicon Valley Bank Closed by Regulators, FDIC Takes Control,” Rachel Ensign, Corie Driebusch, and Meaghan Bobrowsky, March 10, 2023, <https://www.wsj.com/articles/svb-financial-pulls-capital-raise-explores-alternatives-including-possible-sale-sources-say-11de7522>; Wall Street Journal, “Signature Bank Is Shut by Regulators After SVB Collapse,” David Benoit, Rachel Ensign, and Caitlin Ostroff, March 12, 2023, <https://www.wsj.com/articles/signature-bank-is-shut-by-regulators-after-svb-failure-a5f9e0f7>.

The bank’s executives, who took unnecessary risks<sup>3</sup> or failed to hedge against entirely foreseeable threats, must be held accountable for these failures.<sup>4</sup> But this mismanagement was allowed to occur because of a series of failures by lawmakers and regulators. Congress and President Trump weakened the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (“*Dodd-Frank Act*”) and allowed banks like SVB and Signature to evade key rules and regulations.<sup>5</sup> The Federal Reserve under Chair Powell initiated key regulatory rollbacks.<sup>6</sup> And the banks’ supervisors – particularly the Federal Reserve Bank of San Francisco, which oversaw SVB – missed or ignored key signals about their impending failure.<sup>7</sup> These regulatory rollbacks created an environment in which failure was inevitable.

It is also critical that your investigation be completely independent and free of influence from the bank executives or regulators that were responsible for action that led to these bank failures. I am particularly concerned that you avoid any interference from Fed Chair Jerome Powell, who bears direct responsibility for – and has a long record of failure involving – regulatory and supervisory matters involving these two banks.<sup>8</sup> I have already asked Chair Powell to recuse himself from the Fed’s internal investigation of this matter,<sup>9</sup> but he has not yet responded to this request. This silence is troubling, as are reports that last week, as officials sought to develop a plan responding to SVB’s failure, Chair Powell muzzled regulators from any public mention of the regulatory failures that occurred under his watch.<sup>10</sup> If these reports are true, they would reveal outrageous and inappropriate interventions by Chair Powell.

Bank regulators and Congress must move quickly to close the gaps that allowed these bank failures to happen, and your investigation will provide us important insight as we take steps to do so. We therefore ask that you provide us with a full and unredacted preliminary report on your findings of your investigation, including any recommendations, within 30 days.

Sincerely,



Elizabeth Warren  
United States Senator

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<sup>3</sup> The New York Times, “Risky Bet on Crypto and a Run on Deposits Tank Signature Bank,” Matthew Goldstein and Emily Flitter, March 12, 2023, <https://www.nytimes.com/2023/03/12/business/signature-bank-collapse.html>.

<sup>4</sup> Seeking Alpha, “SVB Financial: Incompetence Allowed By Flawed Regulations,” IP Banking Research, March 12, 2023, <https://seekingalpha.com/article/4586805-svb-financial-incompetence-allowed-by-flawed-regulations>.

<sup>5</sup> The Wall Street Journal, “Powell Backs Senate Plan to Raise Threshold for ‘Systemically Important’ Banks,” Lalita Clozel, February 27, 2018, <https://www.wsj.com/articles/powell-backs-senate-plan-to-raise-threshold-for-systemically-important-banks-1519758028>.

<sup>6</sup> The American Prospect, “Jerome Powell Went Easy on Wall Street,” Max Moran, June 10, 2021, <https://prospect.org/economy/jerome-powell-went-easy-on-wall-street/>.

<sup>7</sup> Bloomberg, “The Fed Was Too Late on SVB Even Though It Saw Problem After Problem,” March 17, 2023, <https://www.bloomberg.com/news/articles/2023-03-17/fed-alarms-at-svb-began-more-than-year-ago-as-examiners-changed#xj4y7vzkg?leadSource=verify%20wall>; New York Times, “Risky Bet on Crypto and a Run on Deposits Tank Signature Bank,” Matthew Goldstein and Emily Flitter, March 12, 2023, <https://www.nytimes.com/2023/03/12/business/signature-bank-collapse.html>.

<sup>8</sup> Letter from Sen. Elizabeth Warren to Federal Reserve Chair Jerome Powell, March 15, 2023, <https://www.warren.senate.gov/imo/media/doc/2023.03.15%20Letter%20to%20Powell%20re%20SVB%20Failures.pdf>.

<sup>9</sup> *Id.*

<sup>10</sup> New York Times, “Fed Blocked Mention of Regulatory Flaws in Silicon Valley Rescue,” Jim Tankersley, Jeanna Smialek, and Emily Flitter, March 17, 2023, <https://www.nytimes.com/2023/03/16/business/fed-regulation-svb.html>.