

May 3, 2023

Michael J. Roffler
Former President and CEO
First Republic Bank
111 Pine Street
San Francisco, CA 94111

Dear Mr. Roffler:

I write following the collapse of First Republic Bank to seek additional information about the gross mismanagement that resulted in the bank's failure, the extent to which you and other bank executives earned huge salaries and bonuses while leading the bank towards failure, and about your support and the support of other bank executives for weaker banking rules.

In 2018, First Republic Bank spent hundreds of thousands of dollars lobbying Congress in support of S. 2155, the *Economic Growth, Regulatory Relief, and Consumer Protection Act*, which now-famously rolled back important Dodd-Frank rules for First Republic and similar banks.¹ Following the passage of that law, your predecessor as CEO, James H. Herbert, gave over \$2.1 million in campaign contributions to supporters of the law.²

You joined the call for deregulation of your bank on January 23, 2023, writing to the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC) in opposition to proposals to strengthen capital and resolution requirements.³ You wrote that “[First Republic] Bank, should not be subject to [more stringent capital] requirements, or any other additional resolution requirements ... because their operations do not pose the same, if any, financial stability risk or present complex resolvability issues for which those requirements were designed.”⁴ You insisted that “The Bank is ‘well capitalized’” and that “In the event of failure, it is expected that the Bank could be resolved in an orderly fashion.”⁵ You claimed that “There is no clear policy reason or

¹ Accountable.US, “In 2018, First Republic Bank Spent at Least \$250,000 Lobbying on Dodd-Frank Deregulations While Its Founder Has Donated Over \$2.1 million to Republican Campaigns Since Passage of S. 2155,” March 16, 2023, <https://accountable.us/wp-content/uploads/2023/03/2023-03-16-Research-on-First-Republic-Bank-Dodd-Frank-Lobbying-and-Contributions-FINAL.docx.pdf>.

² *Id.*

³ Letter from Michael J. Roffler to Board of Governors of the Federal Reserve System and Federal Deposit Insurance Corporation, “Comments on Advance Notice of Proposed Rulemaking regarding Resolution-Related Resource Requirements for Large Banking Organizations of the Federal Reserve System and the Federal Deposit Insurance Corporation; Federal Reserve RIN 7100-AG44, Docket No. R-1786; FDIC RIN 3064-AF86,” January 23, 2023, <https://www.fdic.gov/resources/regulations/federal-register-publications/2022/2022-resolution-resource-large-banking-3064-af86-c-033.pdf>.

⁴ *Id.*, p. 2.

⁵ *Id.*, pp. 2-3.

empirical evidence for departing from the existing statutory and regulatory framework by adopting enhanced prudential standards.”⁶

Three months later – and after your bank had already received an emergency “\$30 billion lifeline” from other banks⁷ – First Republic collapsed and was placed into receivership by the FDIC.⁸ Your bank was ultimately acquired by JP Morgan Chase, making that already huge bank even bigger, and costing the Federal Deposit Insurance Fund an estimated \$13 billion⁹ – costs that will be passed on to ordinary bank customers across the country.

Like the collapses of Signature Bank and Silicon Valley Bank,¹⁰ the primary cause of the collapse of First Republic appears to be complacency, incompetency, and mismanagement by you and other bank executives. First Republic developed a business model – under your watch, as CFO and then CEO – “of offering wealthy borrowers substantial mortgages, usually at low rates,” and ““attract[ing] their low-cost deposits and their wealth management business,’... Then once you have the personal stuff, you go after nonprofit accounts, and more.”¹¹ This approach worked well for you and your shareholders – but left the bank completely unprepared for the rise in interest rates that began in 2022.

And even as the bank teetered towards failure, you and other top executives cashed in:

Top executives of First Republic Bank sold millions of dollars of company stock in the two months before the bank’s shares plummeted during the panic over the health of regional lenders. The bank’s chief credit officer sold on March 6, according to government documents. Two days later, Silicon Valley Bank shocked the market and sent other banks into freefall. First Republic was among the worst hit. Executives had been selling for months, the documents show. Executive Chairman James Herbert II has sold \$4.5 million worth of shares since the start of the year. In all, insiders have sold \$11.8 million worth of stock so far this year at prices averaging just below \$130 a share.¹²

⁶ *Id.*, p. 4.

⁷ Bloomberg, “How First Republic Bank Received a \$30 Billion Lifeline,” Hannah Levitt, Annmarie Hordern, Jennifer Surane, and Saleha Mohsin, March 16, 2023, <https://www.bloomberg.com/news/articles/2023-03-17/banks-toss-first-republic-lifeline-with-yellen-dimon-s-cajoling>.

⁸ Federal Deposit Insurance Corporation, “JP Morgan Chase Bank, National Association, Columbus, Ohio Assumes All the Deposits of First Republic Bank, San Francisco, California,” press release, May 1, 2023, <https://www.fdic.gov/news/press-releases/2023/pr23034.html>.

⁹ American Banker, “Banks’ deposit insurance costs could soar after First Republic failure,” Ebrima Santos Sanneh and Kyle Campbell, May 1, 2023, <https://www.americanbanker.com/news/banks-deposit-insurance-costs-could-soar-after-first-republic-failure>.

¹⁰ See, e.g., Board of Governors of the Federal Reserve System, Review of the Federal Reserve’s Supervision and Regulation of Silicon Valley Bank, April 28, 2023, <https://www.federalreserve.gov/publications/files/svb-review-20230428.pdf>; Federal Deposit Insurance Corporation, “FDIC’s Supervision of Signature Bank,” April 28, 2023, <https://www.fdic.gov/news/press-releases/2023/pr23033a.pdf>.

¹¹ Fortune, “First Republic is suddenly in big trouble – but the structural issues date back when CEO Mike Roffler was CFO,” Sheryl Estrada, April 28, 2023, <https://fortune.com/2023/04/28/first-republic-trouble-structural-issues-ceo-mike-roffler-was-cfo/>.

¹² The Wall Street Journal, “First Republic Bank Executives Sold \$12 Million in Stock in Months Before Crash,” Ben Foldy and Tom McGinty, March 16, 2023, <https://www.wsj.com/articles/first-republic-bank-executives-sold-12-million-in-stock-in-months-before-crash-ca6ce79e>.

You personally “sold nearly \$1 million in January ... The sale and another of \$1.3 million worth of shares ... sold in November were [your] first since July of 2021 and the largest proportionally of [your] holdings since 2017.”¹³

Meanwhile, for years, the bank “paid family members of its founder, James Herbert, millions of dollars for work at the lender in recent years, including for consulting services related to interest rates and risk” – the precise problems that led to First Republic’s failure.¹⁴

You owe your customers and the public an explanation for the decisions that resulted in the costly failure of your bank – the second largest bank failure in the nation’s history¹⁵ – the extent to which you lobbied against rules that could have prevented this failure, and the extent to which you and other bank executives profited even as the bank teetered towards collapse. I request answers to the following questions no later than May 17, 2023:

1. When did you first become aware of potential problems at First Republic Bank?
 - a. Between January 2021 and the present, did First Republic receive any supervisory letters from the FDIC related to interest rate risks or any other risks? If so, please provide a list of all such letters received, including the dates, the problems cited, and the bank’s response to these letters.
 - b. Did the bank’s risk management officer warn you or any other bank officials at any time of risks to the bank from increasing interest rates? If so, please provide a list of all such warnings, including dates, specific areas of concern, and your response.
 - c. Did the Board’s Enterprise Risk Management Committee raise any concerns or warn you or any other bank officials at any time of risks to the bank from increasing interest rates? If so, please provide a list of all such warnings, including dates, specific areas of concern, and your response.
 - d. Reports indicate that Jim Herbert, your predecessor and the bank’s founder, held a February 2023 meeting at which he warned that the bank needed more deposits. Reports also indicate that “in late 2022, the bank slowed down hiring, and was replacing very few employees who left.”¹⁶
 - i. Are these reports accurate?
 - ii. Did the Bank take any other action in 2022 or prior to March 2023 to stem the flow of funds out of the bank, or to reduce expenses to address the problems caused by the flow of funds out of the bank? If so, please provide a list of all such actions and the dates they were taken.

¹³ *Id.*

¹⁴ The Wall Street Journal, “First Republic Bank Founder Earned a Big Payday – as Did His Family Members,” Eliot Brown, March 24, 2023, <https://www.wsj.com/articles/first-republic-bank-founder-earned-a-big-payday-as-did-his-family-members-33e395cd>.

¹⁵ Bloomberg, “First Republic Becomes Second-Largest Ever US Bank Failure,” Max Reyes, May 1, 2023, <https://www.bloomberg.com/news/articles/2023-05-01/first-republic-ranks-as-second-largest-ever-us-bank-failure#xj4y7vzkg?leadSource=uverify%20wall>.

¹⁶ The Wall Street Journal, “Why First Republic Bank Collapsed,” Rachel Louise Ensign, Eliot Brown, AnnaMaria Andriotis, and Gina Heeb, May 1, 2023, <https://www.wsj.com/articles/first-republic-bank-collapse-why-banking-crisis-61660d96>.

2. How much has the bank paid out in executive bonuses and compensation in 2023, and in each of the previous five years? Please provide a complete list of all such bonuses and compensation
 - a. Did you receive a bonus? If so, what was the criteria for this bonus, and how much money did you receive? Please provide a list of all bonuses you received in the last five years, including the date, the amount, and the bonus criteria.
 - b. Will you be returning any or all of the compensation or bonus funds awarded to you?
 - c. Which other high-level bank executives received bonuses, and how much were they? Please provide a complete list of all bonuses received by top bank executives in the last five years, including the date, the amount, and the bonus criteria.
 - d. Will the bank be seeking to claw back any or all of the compensation or bonuses awarded to top executives?
3. How much has the bank paid in consulting fees or other compensation in 2023, and in each of the previous five years, to Mr. Jim Herbert and his family members or associates?
 - a. Please provide a complete list of all such consulting fees and compensation.
 - b. Will the bank be seeking to claw back any or all of these funds?
4. Please provide a detailed list of all of your stock sales in each of the last five years, including the date, and the amount and the terms and conditions of the sale.
 - a. Were you aware of the risks the bank faced at the time of any of these sales?
 - b. Will you be voluntarily returning or forced to return any of the funds from any of these sales?
5. Please provide a detailed list of all top bank executives' stock sales in each of the last five years, including the date, and the amount and the terms and conditions of the sale.
 - a. Will these executives be voluntarily returning or forced to return any of the funds from any of these sales?
6. Please describe the full scope of First Republic's efforts to roll back Dodd-Frank regulations in Congress.
 - a. How many meetings did you, other top bank executives and/or First Republic lobbyists have with lawmakers regarding the *Economic Growth, Regulatory Relief, and Consumer Protection Act*?
 - b. What were your primary requests regarding the bill?
 - c. How much time do you estimate was spent on this lobbying effort?
 - d. How much money do you estimate was spent on this lobbying effort?
 - e. Where did the funds the bank use for these lobbying efforts come from? Which company officials approved this spending?
 - f. How much money was spent on campaign donations related to efforts to roll back Dodd-Frank regulations?
7. Did First Republic Bank contribute resources indirectly to efforts to roll back Dodd-Frank, including through industry groups like the American Bankers Association? If so, please describe all such efforts.

8. Did you or other bank executives discuss these lobbying efforts, their expenses, and their goals, with the First Republic's Board of Directors? If so, please provide transcripts of all such discussion.
 - a. Did the Board formally approve these efforts?

9. Please describe the full scope of First Republic's efforts to weaken the Advance Notice of Proposed Rulemaking regarding Resolution-Related Resource Requirements for Large Banking Organizations of the Federal Reserve System and the Federal Deposit Insurance Corporation.¹⁷
 - a. How many meetings did you, other top bank executives and/or First Republic lobbyists have with regulators or lawmakers regarding this rule?
 - b. How much money do you estimate was spent on the lobbying effort against these rules?
 - c. Where did the funds the bank use for these lobbying efforts come from? Which company officials approved this spending?

10. Did First Republic Bank contribute resources indirectly to weaken the proposed rule, including through industry groups like the American Bankers Association? If so, please describe all such efforts.

11. Did you or other bank executives discuss these lobbying efforts, their expenses, and their goals, with the First Republic's Board of Directors? If so, please provide transcripts of all such discussion.
 - a. Did the Board formally approve these efforts?

12. Do you or any other First Republic executives intend to seek employment with JP Morgan Chase or any other bank following First Republic's failure?

Sincerely,



Elizabeth Warren
United States Senator

¹⁷ Letter from Michael J. Roffler to Board of Governors of the Federal Reserve System and Federal Deposit Insurance Corporation, "Comments on Advance Notice of Proposed Rulemaking regarding Resolution-Related Resource Requirements for Large Banking Organizations of the Federal Reserve System and the Federal Deposit Insurance Corporation; Federal Reserve RIN 7100-AG44, Docket No. R-1786; FDIC RIN 3064-AF86," January 23, 2023, <https://www.fdic.gov/resources/regulations/federal-register-publications/2022/2022-resolution-resource-large-banking-3064-af86-c-033.pdf>.