Chairman Sherrod Brown
Committee on Banking, Housing and Urban Affairs
“Examining the Failures of Silicon Valley Bank and Signature Bank”
Opening Statement
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In the days after the run on Silicon Valley Bank, when it was closed by the California banking regulators and taken over by the FDIC, many in Washington and New York and California asked—how did this bank, and Signature Bank soon after, fail so spectacularly?

Was it the regulators falling down on the job?

Was it new technology – the first social media-fueled bank run?

How on earth could this happen?

In Ohio, though, no one is surprised by the hubris of coastal bank executives.

The old adage has become cliché, because it’s so often true: the simplest explanation is best.

It is, first and foremost, the bankers’ fault the banks crashed.

We know that federal and state banking officials repeatedly told managers and directors of your banks where there were problems. Big problems. The kind of problems you can’t ignore – the kind you have to start fixing right away.

And bank executives didn't listen. That is well-documented fact.

Silicon Valley Bank and Signature got too big, too fast. You never slowed down to make sure you were doing basic bank management.

From 2019 through 2021, Silicon Valley Bank more than tripled in size. Signature Bank more than doubled in size – always, always, in search of bigger profits.

Good bankers know that banks can't safely grow that fast. The Federal Reserve and FDIC and state regulators identified the aggressive growth at the banks as a risk – years before the failures.

Let's be clear: these dangers were not hard to spot.

The liquidity risks, the unstable nature of uninsured deposits, the concentration of customer deposits – all were giant risks, sitting there in broad daylight on your banks' balance sheets.

Uninsured deposits at both banks reached over 90 percent of deposits—that's about double the amount at Ohio banks like Huntington, Fifth Third, Key Bank – and far more than at community banks like Mechanics in my hometown of Mansfield. The Federal Reserve cited uninsured deposits as a risk at SVB as far back as 2018.

The bank never fixed it. It looks like you never even tried.

In 2021 and 2022, the Fed identified weaknesses in SVB's contingency funding plan, defects in its interest rate models, weak risk management, and inadequate board oversight of management.

This is Banking 101. Every bank executive – probably every sophomore business major – knows that these are fundamentals you must get right.

The FDIC saw similar failures at Signature Bank, identifying poor governance and unsatisfactory risk management practices as the causes of its collapse. Again, those problems date back to 2018 and 2019.

We know executives knew the FDIC thought it was a problem, because bank management would tell the FDIC they fixed some of the problems – but in reality, you never did.

And in the end, Signature's inability to accurately track and monitor its own liquidity, while it faced a devastating bank run, left the New York banking authorities with no other choice than to close the bank.

We know your banks were fatally mismanaged. The next obvious question is why – why did you let things get this bad? Why did you ignore regulators?

To that question, too, there is a simple answer – the same answer we find to most questions about big banks' failures: because the executives were getting rich.

Just like the former CEO of Citigroup, Chuck Prince, said: "When the music stops, in terms of liquidity, things will be complicated. But as long as the music is playing, you've got to get up and dance. We're still dancing"

It's the Wall Street business model that corporations follow over and over: executives put short-term profits above everything else.

How do we know? Management said as much to Wall Street.

At Silicon Valley Bank, executive bonuses were tied to the bank's return on equity, so they bought securities with higher yields to chase higher and higher profits.

When the warning lights started to flash and those investments started to lose money, your bank didn't change course – instead, you doubled down.

At Signature Bank, executives had incentive compensation plans that were tied to return on assets, to, quote: "reflect additional focus on profitability."

And focus on profitability you did – to the exclusion of everything else.

When it became obvious your banks were on the verge of failure, you and other executives tried to cash out.

SVB executives – including Mr. Becker – dumped millions of dollars in company stock in the days leading up to its crash.

You were paying out bonuses until literally hours before regulators seized your assets.

To people in Ohio and around the country, this all feels sickeningly familiar.

To most Americans, the lack of Wall Street accountability tracks with their entire experience with our economy.

Workers face consequences. Executives ride off into the sunset.

Only in corporate boardrooms can you run your business into the ground, take the whole economy along with you, and come out ahead.

We cannot let that happen again.

Both of your banks prioritized fast growth – but not risk management. Both of your banks pushed up your stock prices and your own executive compensation – but didn't address the glaring risks from customer and industry concentration.

When you put other people's money, and our broader economy, at risk, there must be accountability for that level of mismanagement.

Running a bank isn't like running any other company.

If you manage a car parts business and run it into the ground, you and the employees will lose their jobs, and the surrounding community may get hurt – but there usually aren't broader consequences for the savings accounts of families all over the country.

With your jobs, other's people's money is at stake.

That's why we've always recognized that banking is different– and why in return, banks are subject to stricter rules. Or they're supposed to be.

Our committee is looking at ways to impose real accountability on those most to blame for big bank failures – the bankers themselves.

It's why we discussed ways to increase accountability at last weeks' hearing. And it's why we've brought the three of you here today, to answer for the mistakes you clearly made at these banks.

Learning more about what went wrong will help us craft the strongest possible rules, to prevent more of these failures.

Of course we know there is blame to go around.

Your risk-taking was aided by Former Federal Reserve Vice Chair for Supervision Randal Quarles, who led the regulatory rollbacks in 2018 and 2019 and 2020. It's clear those rollbacks emboldened bank executives to take on more risk.

This all comes back to the power of your industry.

From the rules that big banks – including yours – lobbied to weaken, to the impunity with which executives have been allowed to operate, the largest banks and the people who run them have been impervious to consequences for far too long.

We need to change that, beginning now.