Ranking Member Tim Scott (R-S.C.)
Opening Statement
Full Committee Hearing
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The last two months have shaken the banking sector. Not only did we experience three of the largest bank failures in American history—we also found out that our banking regulators were utterly asleep at the wheel. As I have said repeatedly, there were three major issues with the bank failures: first was bank mismanagement, supervisory failure, and rocketing inflation.

I am thankful that this Committee has been able to come together to conduct the type of oversight that is necessary for us to understand and appreciate the depth of the mismanagement and the challenges that have been presented to the American people.

And while today's bank focus will be on the management, Thursday we'll have the opportunity to talk about the supervisory failures. My Democratic colleagues will avoid the economic failure that landed us where we are today: when you spend and print trillions of dollars, leading to the highest inflation we've seen in my lifetime, with ten interest rate hikes, [this] is what happens. Ten interest rate hikes in about a year sends a signal of what is actually happening in the marketplace that seems to have been completely ignored by the bank execs. On top of that, our colleagues on the Left have decided to make Jared Bernstein – the architect of the Biden economy and the Biden failure – the Chairman of the CEA.

But today, it's high time that we figure out what went wrong from a bank management perspective. It is critically important that we understand how our banking system experienced two of the largest failures in history. That starts with getting answers from y'all.

I'd like to start with Mr. Becker. I ran a business for a while. And I'll tell you, honestly, I'm shocked at the complete negligence and disregard for the economic realities that this country was facing. Under your leadership, SVB made significant bets on interest rates falling when everything indicated exactly the opposite. I am not an economist, I owned insurance agencies. But anyone that paid close attention to the economy over the past two years could have plainly seen that the Federal Reserve was going to continue to increase interest rates.

Truth be told, I don't think you need to be an economist, or an insurance guy, or a senator to understand the direction, the trajectory, of the interest rate hikes that we were going to see.

But there was a JP Morgan analyst that said that SVB was already in trouble. I remember a blogger, financial blogger—I think it was November of the previous year—came to the same conclusion that the portfolio risk was very high and increasing. So I hope to hear your analysis on why you did not act on the ballooning risk, and how you failed to adapt to the increasingly vulnerable inflationary environment that impacted your bank. And more importantly, the customers of your bank.

The Federal Reserve report noted that your bank's practices did not keep pace with the rapid growth in size and in risk.

Further, the Federal Reserve's report also stated that the board of directors' and risk management's experience and capabilities were lacking for a bank of $200 billion. Not only did you fail to hire a Chief Risk Officer in a timely manner, and the definition of timely manner is several months—the bank went without its chief risk officer in place. That challenge exacerbates the situation that Americans came to realize. To me, it sounds like a recipe for disaster, and sadly, in part, it's why we are here today.

Even more concerning, the Federal Reserve's report stated that with respect to both liquidity and interest rate risk, your management team was more focused on chasing profitability than stability. Sounds like greed. Perhaps this is why your institution had 31 open supervisory findings when it failed, which is about three times the average number. That's 31 notices that you received. Flashing red lights that something was desperately wrong.

But let me say this, SVB was an anomaly, and your lack of judgment, Mr. Becker, shows that you should not have been running the bank. To the American people, our true regional institutions are run by smart, competent individuals, and your money is safe.

It's no doubt that the failure of SVB fed the bank run leading to the liquidity crisis that ended up creating the contagion [that] also impacted Signature Bank.

Signature Bank’s board of directors and management also pursued rapid, unrestrained growth without developing and maintaining adequate risk management practices and control appropriate for the size, complexity, and risk profile of the institution, nor did the management prioritize good corporate governance practices.

The FDIC report further states that Signature Bank did not always abide by the FDIC examiner’s concerns and was not always responsive or timely in addressing FDIC supervisory comments and recommendations.

Mr. Shay and Mr. Howell, I’ll be eager to hear you tell me why you thought it was okay to not respond in a timely manner. The laws are not above you – so I’d like to understand why you thought they were. Like I have said before, as a Charlestonian, if a restaurant decided to just ignore the safety inspectors, I am confident they would be shut down and the management would be replaced.

Americans watching this hearing today should see the examples of bad management and know that while we are demanding answers, and hopefully we will get something that sounds like an answer, this is not the norm. For the vast majority of our financial institutions, they are well-run, our banking system is strong, and your money is safe.

I thank the Chairman for working with me to get these executives before us, I look forward to hearing their comments.

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