

Ranking Member Tim Scott (R-S.C.)
Opening Statement
Full Committee Hearing
May 18, 2023 at 9:30 AM

Today's hearing is about regulatory supervision and congressional oversight. Something we all take very seriously. I hear a lot from our friends on the Left that this is somehow a legislative failure, that you didn't have the power needed to supervise the banks. There's nothing further from the truth than that concept, that you did not have the legislative power necessary to do your jobs. That's just false. We can point to S.2155 all day long, but if you read S.2155, you come to the conclusion that the supervisors had the ability to enforce a regulatory regime to keep America's financial institutions safe. They just—you did not—use the tools in the toolbox to do the job that was necessary.

People at home take this opportunity to view the six alphabet-soup agencies and try to figure out what we're here talking about. We're talking about the safety and the security of the greatest financial system in all the world. For the average viewer at home, they're asking real questions about is the system safe for me? For those who are "unbanked" or "underbanked," who have challenges having confidence in the banking system, this is a challenging day. For those who want to have more confidence in the system that they've never had confidence in before, this is a serious day. For those who look at this situation and ask themselves why do they have to pay higher interest rates or higher fees on products from banks, because bank execs didn't do their jobs and regulators weren't paying attention, so far, we have no answers.

Each of you are working on broad proposals and regulations that will affect our financial institutions, and I'll expect we'll hear a lot about that today. But what I'm concerned about is that we won't really get to the fundamental question about why, when you had an opportunity to do the job assigned to you, it just wasn't done.

When we look at the failures of both Silicon Valley Bank and Signature Bank, we come to a couple of conclusions. And I've said this a few times before, but I think it bears repeating that the situation that we saw that led to two of the largest bank failures in American history was caused by three

things: bank mismanagement, supervisory failure, and soaring inflation caused by the Biden administration.

Today, we're here to focus on the supervisory failures. From the beginning, regulators called these failures idiosyncratic events. This implies that they just popped up out of nowhere like mushrooms after a rainstorm, that there is no way in the world you could have forecasted what was going to happen. But after listening to the CEOs on Tuesday, the one thing we walked away with from [Silicon Valley Bank's] CEO, Mr. Becker, is that for 20 years they had the same business model that had over 80% of their deposits uninsured. Two decades the deposits were uninsured over 80%. That is not idiosyncratic to me. It seems pretty much like the norm.

We also heard from Mr. Becker that the flashing lights, the warning lights had been going off since the first quarter of 2022. That's a long time before March 9th of 2023. And then your reports reinforce the fact that the warning lights were going off well before the first quarter of 2022.

You all have failed. Many of you have failed the American people. Failed the American people in keeping their confidence high in our financial system. I want that to sink in.

You get to come to Congress. It's been 5 minutes answering questions from each one of us with the ability to play dodgeball for those 5 minutes. And then you go back to your respective agencies and you hold no one accountable, even though your reports say that there was failure within your agencies. And yet not a single employee or yourselves are held responsible.

Mr. Barr, it seems like, as we talked about last time you were here, about the reports that were going to come out on May 1st and what it would find. The one thing that's clear, it's found that the Federal Reserve didn't do their job. And yet here we sit again. Your report says you acknowledge that the supervisors at the Federal Reserve failed to act swiftly and do their jobs.

But in the next breath, you point the blame at Congress and S.2155. And I read through the legislation just to make sure that I did not misunderstand what part of the legislation withdrew your ability to provide the supervisory responsibilities. I couldn't find it because it's not there. I find it ironic that the ultimate takeaway was [to] ask for more authority. Not less. More authority. As if somehow it was stripped away, and it simply was not.

But that to me, is exactly what happens in Washington when something bad happens. No one takes responsibility, and we take more authority in the regulatory framework of this country. And what happens when we take more authority in the regulatory framework of the country?

Mike, you know, and I certainly know it as a small business owner, the more capital that you push to the sidelines in hopes of solving a problem that had to do with liquidity and not capital, you actually rob small business owners, women small business owners, minority small business owners, everyday small business owners, rural small business owners, [of] the capital necessary to borrow the money to create a more sustainable, more resilient, healthier community.

When the failure happens, ultimately the new level of supervision that says we're going to put more capital on the sidelines only impacts entrepreneurs, only impacts seniors hoping for a better return, only impacts everyday Americans living paycheck to paycheck, trying to figure out how to make this economy and this system work for them. I don't know how we explain to the small business owner who can't get a loan because we've improved the capital standards by having more cash on the sidelines so there's fewer dollars to loan out. That, because you didn't do your jobs, sounds like doubling down and making the average person in the country pay a very high price for your failures. I think you're making it more and more difficult for the average American in the average place to contribute to a thriving economy.

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