

# Congress of the United States

Washington, DC 20515

March 12, 2023

The Honorable Janet Yellen  
Secretary  
Department of the Treasury  
1500 Pennsylvania Avenue NW  
Washington, DC 20220

The Honorable Jerome Powell  
Chair  
Board of Governors of the Federal Reserve  
System  
20th Street and Constitution Avenue NW  
Washington, DC 20551

The Honorable Martin J. Gruenberg  
Chair  
Federal Deposit Insurance Corporation  
550 17th Street NW  
Washington, DC 20429

The Honorable Michael J. Hsu  
Acting Comptroller  
Office of the Comptroller of the Currency  
400 7th St. SW  
Washington, DC 20219

Dear Secretary Yellen, Chairman Powell, Chairman Gruenberg, and Acting Comptroller Hsu:

We are writing to express our deep concern over the sudden collapse of Silicon Valley Bank (SVB) and the contagion risk this failure poses to small, medium, and regional banks across the country. With consumers and businesses worried about the security of their deposits at other institutions, we believe the Federal Reserve, Treasury Department, Federal Deposit Insurance Corporation (FDIC), and Office of the Comptroller of the Currency (OCC) need to act swiftly to reassure consumers. Otherwise, we could face a broader run across the banking system in the coming days.

At first glance, it appears that SVB met their capital requirements and had a balance sheet with adequate ratios. That said, SVB seemingly failed to recognize and respond to the shifting economic environment, and, although intended for cash management, held an uncommonly large percentage of long-term U.S. government securities on their balance sheet. With higher interest rates, the value of these long-term Treasury bonds and mortgage-backed securities declined precipitously, putting an unmanageable squeeze on the bank's balance sheet. That failure, combined with the bank's concentrated client base of technology, life sciences, defense, and venture-backed companies – also facing tough economic winds themselves – largely contributed to the collapse of Silicon Valley Bank.

To be clear: we do not believe regulators should assist SVB shareholders. These investors took a known risk when they purchased equities in the bank. Right now, we are concerned about the depositors at SVB, and at banks across the country, suddenly unnerved by SVB's catastrophic failure that unfolded in just forty-eight hours, accelerated, in part, by social media and pack mentality withdrawals. If Americans can't trust that their basic deposits are safe, we could suddenly face runs at banks of all sizes across the country.

In the 2008 financial crisis, banks were “too big to fail.” We cannot encourage a system where banks are “too small to succeed.” Additional steps need to be taken immediately to give confidence to depositors and discourage them from fleeing to only the largest banks, which is already occurring. Unjustified runs on healthy small, medium, and regional banks would be highly damaging to our economy, threaten our national security, and create long-term risks.

We recommend your agencies take immediate steps using all necessary regulatory tools. First, as we are sure you are doing, the FDIC should prioritize finding a buyer for SVB that has the resources to provide a seamless transition for the bank’s depositors and borrowers, with the hope of making the depositors whole. Keep in mind that SVB’s customers included government vendors and grant recipients, and, therefore, held state and federal taxpayer dollars in their accounts.

Second, the Treasury Department and the Federal Reserve should encourage banks of all sizes that have relationships with SVB’s depositors to extend temporary lines of credit to the bank’s depositors to assist with essential costs, like payroll. We know that the FDIC is also providing immediate FDIC insurance for deposits under \$250,000.

Finally, to help head off contagion and assure depositors that their banks are healthy, the Federal Reserve should continue to offer liquidity through repurchase agreements. These will allow banks to access short-term financing to meet potential withdrawals using long-term U.S. Treasuries and mortgage-backed securities as collateral. This will assure depositors that banks have adequate resources to allow them swift access to their funds.

To provide greater certainty for depositors at other banks, Congress and federal regulators should also consider temporarily increasing the FDIC limit on deposit insurance above the current \$250,000 limit. This modification would appropriately adjust the limit for inflation and provide a greater backstop and confidence to depositors. Additionally, the regulators should consider additional oversight measures to ensure that a bank’s asset mix can adequately provide liquidity during a stress event.

Thank you for your attention to this pressing matter. Your timely and immediate action is necessary to prevent SVB’s failures from undermining our otherwise strong banking system.

Sincerely,



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Josh Gottheimer  
MEMBER OF CONGRESS

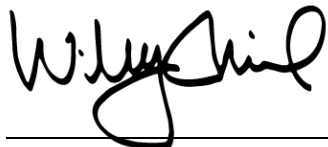


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