



United States House of Representatives
One Hundred Eighteenth Congress
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

March 23, 2023

Michael S. Barr
Vice Chairman for Supervision
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue N.W.,
Washington, DC 20551

Mary C. Daly
President and CEO
Federal Reserve Bank of San Francisco
101 Market St
San Francisco, CA 94105

RE: Federal Reserve System Supervision of Silicon Valley Bank and SVB Financial Group

Dear Vice Chairman Barr and President Daly:

We write regarding the Board of Governors of the Federal Reserve System’s (FRB) and the Federal Reserve Bank of San Francisco’s (FRBSF) (collectively, the “Federal Reserve”) supervision of Silicon Valley Bank, Santa Clara, CA, and its financial holding company, SVB Financial Group. As you are aware, Silicon Valley Bank, which the Federal Reserve jointly supervised with the California Department of Financial Protection and Innovation (CDFPI), failed and was placed into Federal Deposit Insurance Corporation (FDIC) receivership on March 10th, 2023.

At the time of failure, Silicon Valley Bank was the 16th largest bank in the U.S. Its failure is the second largest by nominal value in U.S. history. According to the Financial Times, “at the peak of the tech investing boom in 2021, customer deposits surged from \$102 billion to \$189 billion,” a red-flag signal of rapid growth.¹ Total assets had tripled since 2020. By the end of 2022, Silicon Valley Bank held \$212 billion of assets, \$175 billion in customer deposits, \$26.0 billion of fair value in “available for sale assets,” such as Treasuries and agency-backed securities, and \$91.3 billion in the amortized cost of “held to maturity” assets with fair market value of only

¹ See “Silicon Valley Bank profit squeeze in tech downturn attracts short sellers,” Financial Times, February 22, 2023, available at <https://www.ft.com/content/0387e331-61b4-4848-9e50-04775b4c3fa7>.

\$76.2 billion.² In addition, Silicon Valley Bank had \$15 billion of outstanding loans from the Federal Home Loan Bank of San Francisco (FHLB SF) and was its top borrower with 20 percent of total outstanding advances.³

Rapid deposit withdrawals in early 2023 led the firm to reportedly sell relatively long-duration securities at prices below acquisition prices to obtain liquidity. The upside-down scenario on asset values occurred given the backdrop of the rapid, Federal Reserve driven interest-rate-hike program.

In addition to the decreased value of its assets, approximately 87 percent of deposits by value were, reportedly, uninsured at Silicon Valley Bank. This too should have been a regulatory red flag.⁴ This high concentration of uninsured deposit value represented an outlier relative to financial institutions of similar size. By contrast, regional banks have told our offices that they typically have closer to 50 percent of deposits by value insured.

It is our understanding that because SVB Financial had more than \$100 billion of total consolidated assets it was designated a Large Banking Organization, and subject to enhanced supervisory and prudential standards. These enhanced prudential standards included the Federal Reserve's Regulation YY and Large Financial Institution (LFI) rating system, which impose heightened capital, liquidity, and risk management standards on the firm.

According to reports, Federal Reserve staff had clear indications that Silicon Valley Bank was deficient in both their interest rate risk management and balance sheet management that could have been mitigated before its failure.⁵ If these reports are accurate, it is concerning that Federal Reserve staff did not intervene in a timely manner and use the powerful supervisory and enforcement tools available to prevent the firm's failure and subsequent market uncertainty. As policymakers, Congress needs to understand how FRB staff and FRBSF examiners seemingly missed numerous red flags and failed to use their supervisory and enforcement tools to correct the firm's numerous financial and management deficiencies.

To that end, please respond to the following:

1. For the period between January 1, 2019 and March 10, 2023, please provide all records and communications between and among the FRB and/or the FRBSF to Silicon Valley Bank and SVB Financial communicating supervisory determinations, including, but not limited to, all annual assessment letters, reports of examination or inspection, any letter or communication

² See "Consolidated Reports of Condition and Income for a Bank With Domestic and Foreign Offices-FFIEC 031; Institution Name Silicon Valley Bank," available at <https://cdr.ffiec.gov/public/ManageFacsimiles.aspx>.

³ Available at <https://www.sec.gov/ix?doc=/Archives/edgar/data/1316944/000131694422000164/fhlbsf-20220930.htm>.

⁴ See *supra* n. 3, at Schedule RC-O.

⁵ See, e.g., "Before Collapse of Silicon Valley Bank, the Fed Spotted Big Problems," March 19, 2023, New York Times, available at <https://www.nytimes.com/2023/03/19/business/economy/fed-silicon-valley-bank.html>.

conveying a matter requiring immediate attention (MRIA) and/or a matter requiring attention (MRA), or any ratings downgrade. Please provide all workpapers supporting such supervisory determinations for the same time period.

2. Please provide all informal or formal enforcement actions proposed to or issued against Silicon Valley Bank and/or SVB Financial, including, but not limited to, any board resolutions, memoranda of understanding, written agreements, cease-and-desist orders, capital commitments, prompt corrective actions, or section 4(m) agreements.
3. Please provide all commitments or agreements entered into with Silicon Valley Bank and/or SVB Financial in connection with their acquisition of Boston Private Bank & Trust in 2021.
4. Please provide all records and communications between the FRBSF, the FRB, and/or the CDFPI regarding the approval of the firm's acquisition of Boston Private Bank & Trust in 2021.
5. Please provide all records and communications between and among the FRBSF and the FRB, including the Vice Chair for Supervision, on the various risks posed by the firm's balance sheet from January 1, 2019 to March 10, 2023.
6. Please provide all records and communications between and among the FRBSF, the FRB, and the CDFPI regarding Silicon Valley Bank and/or SVB Financial between January 1, 2019 and March 10, 2023.
7. When did FRB or FRBSF staff learn SVB was the top borrower of the FHLB SF, accounting for around 20 percent of all outstanding loans of the FHLB SF?
8. At any time between March of 2021 and the time of SVBs closure, were FRB or FRBSF staff aware of the interest rate risks that SVB and SVB Financial was facing as a result of the Federal Open Market Committee's (FOMC's) rapid increase in the federal funds rate which, due to FOMC forward guidance, led to rapidly changing interest rate expectations in markets?
9. How do FRB and FRBSF staff assess a firm's risk management when there is rapid growth and movement through the regulatory tailoring tiers?
10. According to news reports, in late February 2023, SVB Financial hired Goldman Sachs to assist the firm in raising approximately \$2.25 billion in additional capital. Was staff at the FRB and/or the FRBSF aware that the firm was seeking to raise this capital, and if so, was this concerning given that the firm met "well capitalized" standards as of its December 31, 2022 call report?

11. How many examiners were assigned to Silicon Valley Bank's and SVB Financial's dedicated supervisory team (DST) at the FRBSF?
12. How many analysts were assigned to cover Silicon Valley Bank and SVB Financial at the FRB?
13. Were any of the FRBSF examiners or FRB analysts responsible for Silicon Valley Bank or SVB Financial also overseeing climate risk assessments, including the firm's investment activities associated with what it described as cleantech and sustainability, or what the firm describes as efforts "to foster and scale business initiatives that move our common environmental, social and governance goals forward"?
14. Please explain how the FRBSF, the FRB, and the CDFPI coordinated supervision and examination of Silicon Valley Bank and SVB Financial.


Please provide your responses no later than April 6, 2023. In addition, this letter serves as a formal request to preserve all existing and future records and materials in your possession relating to the topics addressed in this letter. You should construe this preservation notice as an instruction to take all reasonable steps to prevent the destruction or alteration, whether intentionally or negligently, of all documents, communications, and other information, including electronic information and metadata, that are or may be responsive to this congressional inquiry. This instruction includes all electronic messages sent using your official and personal accounts or devices, including records created using text messages, phone-based message applications, or encryption software.

We appreciate your prompt attention to this request. If you have any questions, please do not hesitate to contact Jeff Wrase at (202) 225-7502.

Sincerely,



Andy Barr
Chairman
Subcommittee on Financial
Institutions and Monetary Policy



Bill Huizenga
Chairman
Subcommittee on Oversight and
Investigations



Young Kim
Member of Congress

CC: The Honorable Maxine Waters, Ranking Member