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Congress of the United States
House of Representatives
Washington, DC 20515

April 24, 2023

Mr. Richard K. Delmar
Acting Inspector General
Office of Inspector General
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Acting Inspector General Delmar:

We write regarding actions taken by Department of the Treasury (Treasury) officials during events that followed the Silicon Valley Bank, Santa Clara, California, and Signature Bank, New York, New York, failures. More than 40 days have passed since the sudden closure of Silicon Valley Bank on Friday, March 10, and Congress and the American people still lack an accounting of the extraordinary actions taken by Treasury and the federal banking agencies in response to the threats to stability of the United States financial system.

This is unacceptable. Congress should not be treated as a bystander while unelected officials create their preferred narratives for the events. We request your assistance in gathering the relevant facts and not those that the Treasury Department and federal regulators believe we should have.

At some point on Friday, March 10, 2023, the Treasury Secretary “convened leaders from the Federal Reserve, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency to discuss developments around Silicon Valley Bank.”¹ The details of that meeting and any subsequent actions that resulted from that meeting remain opaque.

At some point on Sunday, March 12, 2023, the Treasury Secretary convened an executive session of the Financial Stability Oversight Council (Council) by videoconference and, according to a Treasury press release, the Council “heard updates from the Federal Deposit Insurance Corporation (FDIC), Board of Governors of the Federal Reserve System (Federal Reserve

¹ Readout, U.S. Department of Treasury, *READOUT: Secretary of the Treasury Janet L. Yellen Convenes Financial Regulators* (Mar. 10, 2023), <https://home.treasury.gov/news/press-releases/jy1334>.

Board), and U.S. Treasury Department on actions they were taking to stabilize the financial system and protect depositors.”² The readout explained that during the Council meeting:

“The agencies described their actions to help ensure all the depositors of Silicon Valley Bank and Signature Bank would be made whole. It was noted that no losses associated with the resolution of these banks would be borne by taxpayers and that shareholders and certain unsecured debtholders would not be protected.

The Council also discussed the funding the Federal Reserve Board was making available to eligible depository institutions to ensure that banks, saving associations, and credit unions have the ability to meet the needs of all of their depositors. The new facility will be a significant source of liquidity, collateralized by high-quality securities, to eliminate a banking institution's need to quickly sell those securities in times of stress.”³

All voting and non-voting members of the Council were reportedly present during the videoconference, including non-voting member Adrienne Harris, Superintendent, New York State Department of Financial Services. Earlier that day, Superintendent Harris closed Signature Bank.

In addition, on March 12, according to a joint statement issued by the Treasury, Federal Reserve, and FDIC:

“After receiving a recommendation from the boards of the FDIC and the Federal Reserve, and consulting with the President, Secretary Yellen approved actions enabling the FDIC to complete its resolution of Silicon Valley Bank, Santa Clara, California, in a manner that fully protects all depositors. Depositors will have access to all of their money starting Monday, March 13. No losses associated with the resolution of Silicon Valley Bank will be borne by the taxpayer.

We are also announcing a similar systemic risk exception for Signature Bank, New York, New York, which was closed today by its state chartering authority. All depositors of this institution will be made whole[.]”⁴

The joint statement also stated that “the Federal Reserve Board on Sunday announced it will make available additional funding to eligible depository institutions to help assure banks have the ability to meet the needs of all their depositors.”

² Readout, U.S. Dep’t of Treasury, *READOUT: Financial Stability Oversight Council Meeting on March 12, 2023* (Mar. 12, 2023), <https://home.treasury.gov/news/press-releases/jy1338>.

³ *Id.*

⁴ Press Release, U.S. Department of Treasury, *Joint Statement by the Department of the Treasury, Federal Reserve, and FDIC*, (Mar. 12, 2023), <https://home.treasury.gov/news/press-releases/jy1337>.

Separate press releases with the same language were released by the Federal Reserve Board and the FDIC were released at the same time. The Federal Reserve Board's press release included a time of release, 6:15 p.m. EDT.⁵

Also, at 6:15 p.m. EDT, the Federal Reserve Board issued a separate press release laying out details of its new lending program set up under its emergency lending authority.⁶ The release indicated the Federal Reserve Board "will make available additional funding to eligible depository institutions to help assure banks have the ability to meet the needs of all their depositors" by establishing a new credit facility, the Bank Term Funding Program (BTFFP).⁷ The BTFFP allows eligible institutions, including federally insured depository institutions, pledging U.S. Treasuries, agency debt and mortgage-backed securities, "and other qualifying assets" as collateral to receive advances. The collateral is valued at par, indicating that the Board is offering to take interest-rate risk of eligible financial institutions off their balance sheets and place the risk onto the Federal Reserve's balance sheet. This is in sharp contrast to the discount window, which values collateral at market value.

To provide loss-absorption for the BTFFP, the Federal Reserve Board also announced that "[w]ith approval of the Treasury Secretary, the Department of the Treasury will make available up to \$25 billion from the Exchange Stabilization Fund as a backstop for the BTFFP."

Nowhere in either of the press releases or the accompanying BTFFP "term sheet" did the Federal Reserve Board identify the statutory authority for providing taxpayer resources in the Exchange Stabilization Fund (ESF) as a loss-absorbing backstop for BTFFP losses. To date, no legal basis has been offered for Treasury's backstop.

Later, on March 24, 2023, the Secretary convened a meeting of the Council in executive session by videoconference. The Council is reported to have heard a presentation from staff of the Federal Reserve Bank of New York "on market developments" and discussed then-current "conditions in the banking sector." They also discussed "ongoing efforts at member agencies to monitor financial developments." The impetus for this meeting is not yet known. Nor are the contents of the discussion, or why discussions among peer regulators were deemed by the Secretary as being so systemically important that they warranted convening of a special executive session of the Council for discussions to occur, rather than, at most, convening a special meeting among a few regulators as was done by the Secretary on March 10, 2023.

To inform necessary legislative changes to strengthen the transparency and accountability requirements for the Treasury Secretary, and federal agency officials with emergency decision

⁵ Joint Press Release, Board of Governors of the Federal Reserve System, *Joint Statement by Treasury, Federal Reserve, and FDIC*, (Mar. 12, 2023, 6:15 p.m. EDT), <https://www.federalreserve.gov/newsevents/pressreleases/monetary20230312b.htm> .

⁶ Press Release, Board of Governors of the Federal Reserve System, *Federal Reserve Board announces it will make available additional funding to eligible depository institutions to help assure banks have the ability to meet the needs of all their depositors*, (Mar. 12, 2023, 6:15 p.m. EDT), <https://www.federalreserve.gov/newsevents/pressreleases/monetary20230312a.htm> .

⁷ *Id.*

making authorities in times of financial stresses, we ask your assistance in providing information from the Department of the Treasury that has not yet been fully provided more than 40 days after a financial crisis.

To this end, please provide the following by April 28, 2023:

1. For the March 10, 2023, meeting of “leaders from the Federal Reserve, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency to discuss developments around Silicon Valley Bank” please provide the following:
 - a. All attendees;
 - b. All calendar invitations circulated;
 - c. Whether the meeting was held in person, virtually, or hybrid;
 - d. All agendas prepared for the meeting;
 - e. All documents, handouts, or presentations that were circulated in preparation for the March 10th meeting or during the meeting;
 - f. All persons who presented at the meeting;
 - g. All minutes of the meeting; and
 - i. If formal minutes are in preparation, please provide the current and unredacted draft minutes.
 - h. All formal or informal readouts or other summaries prepared for the meeting, including any prepared for internal agency use.
2. Please provide all documents, records, and communications between and among Treasury staff, Federal Reserve Board staff, and Federal Reserve System staff referring or relating to the \$25 billion loss-absorption backstop approved by the Department of the Treasury.
3. Please provide all documents and records, including any memoranda, presentations, or communications, analyzing any legal basis for the Department of the Treasury to provide the \$25 billion loss-absorption backstop to the BTFP.
4. Please provide all documents and records reflecting any analysis as to the amount of backstop necessary to backstop adequately the BTFP.
5. For the March 12, 2023, Council Meeting, please provide the following:
 - a. Time and date when the Secretary first notified Council members of the meeting;
 - b. All attendees of the meeting;
 - c. All calendar invites circulated for the meeting;
 - d. All agendas prepared for the meeting;
 - e. All documents, handouts, or presentations that were circulated in preparation for the meeting or handed out during the meeting;
 - f. All persons who presented at the meeting;
 - g. The initial unredacted draft of minutes of the meeting, and all subsequent unredacted drafts;
 - h. All informal or formal readouts or other summaries prepared of the meeting, including any prepared for internal agency use; and

Acting Inspector General Richard Delmar

Date

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6. For the March 24, 2023, Council Meeting, please provide the following:
 - a. Time and date when the Secretary first notified Council members of the meeting;
 - b. All attendees of the meeting;
 - c. All calendar invites circulated for the meeting;
 - d. All agendas prepared for the meeting;
 - e. All documents, handouts, or presentations that were circulated in preparation for the meeting or handed out during the meeting;
 - f. All persons who presented at the meeting;
 - g. The initial unredacted draft of minutes of the meeting, and all subsequent unredacted drafts;
 - h. All informal or formal readouts or other summaries prepared of the meeting, including any prepared for internal agency use; and

Sincerely,

A handwritten signature in blue ink that reads "Andy Barr". The signature is written in a cursive, flowing style.

Andy Barr

Chairman

Financial Institutions and Monetary Policy Subcommittee

Financial Services Committee