

United States Senate  
WASHINGTON, DC 20510

March 16, 2023

The Honorable Michael Barr  
Vice Chair for Supervision  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

Dear Vice Chair Barr:

We write to you today regarding the Federal Reserve (Fed)'s March 13 announcement<sup>1</sup> that you are initiating a review of its supervisory and regulatory relationship with Silicon Valley Bank ("SVB"). While we understand the Fed, the Department of the Treasury, and the Federal Deposit Insurance Corporation needed to take swift action over the weekend to provide banking certainty and stability for American families and businesses, we remain deeply concerned that regulators may have missed clear warning signs in the lead up to the failure of SVB.

Safety and soundness is the cornerstone regulatory principle of the U.S. banking system and it is important we assess what went wrong at SVB to ensure future stability in the U.S. financial services sector. Specifically, we support any efforts that will provide further information on all relevant risks, actions, and inactions – taken by SVB and by regulators, supervisors, and examiners – that contributed to this failure. It is gravely concerning that retail participants, utilizing only publicly available information<sup>2</sup>, were able to identify clear and compelling examples of financial mismanagement and asset over-concentration at SVB, while the Fed, which can draw even deeper from non-public supervisory information, was unable to ascertain a similar conclusion. The fact that the San Francisco Fed, among other regulatory agencies, found no reason to take appropriate regulatory action or even investigate SVB further in the months, weeks, and days prior to the bank's collapse must be addressed in a manner that restores public confidence in Fed supervision. We look forward to evaluating the results of your review, particularly with respect to the robustness of Fed supervision and examination of SVB.

Additionally, as part of your review, we ask that you place a particular focus on the role of concentration risk in the bank examination process. Specifically, we believe the Fed must grapple with how its examiners contemplate industry concentration. As widely reported, SVB's customer base consisted heavily of venture capital funds, venture investors, and start-ups, many of whom have or have had financial relationships or business partnerships with one another.<sup>3</sup> If true, this constitutes a unique level of financial interdependency among a customer base that is

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<sup>1</sup> <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20230313a.htm>

<sup>2</sup> <https://www.sec.gov/Archives/edgar/data/719739/000071973923000021/sivb-20221231.htm>

<sup>3</sup> <https://www.ft.com/content/7ef8afbe-4bf0-4d0d-b831-6acb0206eeb4>

also particularly prone to interest rate risk, as evidenced by news reports<sup>4</sup> which point to increased outflows of personal and business deposits in the days leading up to the bank run. The Fed should review the financing arrangements between SVB and its customers to determine their impact on the bank's collapse. Allowing such a high concentration of these rate-sensitive customers with primarily uninsured deposits at any single bank strikes us as a compelling risk to the stability of the bank, the banking system, and to taxpayers writ-large that merits further inquiry.

We appreciate your consideration and respectfully request a response by no later than Friday, March 24, 2023. Thank you for your ongoing public service and your leadership in these challenging times. If you have questions or require additional information, please contact [Michael\\_Wong@sinema.senate.gov](mailto:Michael_Wong@sinema.senate.gov) and [Ryan\\_Adam@tillis.senate.gov](mailto:Ryan_Adam@tillis.senate.gov).

Sincerely,



Kyrsten Sinema  
United States Senator



Thom Tillis  
United States Senator



John Hickenlooper  
United States Senator



Kevin Cramer  
United States Senator



Chris Murphy  
United States Senator



M. Michael Rounds  
United States Senator



Catherine Cortez Masto  
United States Senator



Bill Hagerty  
United States Senator

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<sup>4</sup> *Id.*



Michael F. Bennet  
United States Senator



Katie Boyd Britt  
United States Senator



Cynthia M. Lummis  
United States Senator



JD Vance  
United States Senator