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More Congressional Hearings on Bank Failures



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This week, the Senate Banking Committee and the House Financial Services Committee held multiple hearings on bank failures that have occurred this year, with each committee holding a hearing with former leaders of the failed banks, as well as hearings with the federal depository institution supervisory agencies and the California and New York banking Supervisors.

The Senate Banking Committee had three hearings on the failures this week. On [Tuesday](#), the hearing focused on former leaders of Silicon Valley Bank (“SVB”) and Signature Bank (“Signature”), with [Gregory Becker](#), former CEO of SVB, [Scott Shay](#), former Chairman of Signature, and [Eric Howell](#), former President of Signature, as the witnesses.

[Wednesday’s hearing](#) featured Federal Reserve Board Inspector General [Mark Bialek](#), University of Pennsylvania professor [Dr. Peter Conti-Brown](#), American Enterprise Institute Senior Fellow [Paul Kupiec](#), and MRV Associates banking analyst [Mayra Rodriguez Valladares](#) as witnesses discussing lessons and opportunities for reform.

[Thursday’s hearing](#) in the Senate Banking Committee focused on oversight of the financial services regulators, with the following regulators as witnesses: [Michael Barr](#), Vice Chair for Supervision, Federal Reserve Board (“FRB”); [Martin Gruenberg](#), Chair, Federal Deposit Insurance Corporation (“FDIC”); [Todd Harper](#), Chair, National Credit Union Administration (“NCUA”); [Michael Hsu](#), Acting Comptroller, Office of the Comptroller of the Currency (“OCC”); [Adrienne Harris](#), Superintendent, New York State Department of Financial Services (“NYDFS”); and [Clothilde Hewlett](#), Commissioner, California Department of Financial Protection & Innovation (“CADFPI”).

The House Financial Services Committee held two hearing this week. On [Tuesday](#), it had a hearing with the same four federal financial regulators as the Senate hearing noted above. On Wednesday, the House Financial Services had a two-part

hearing that first brought former leaders of the failed banks similar to the Senate hearing, but this time including [Michael Roffler](#), the former President and CEO of First Republic Bank. The second part of the House hearing had the same NYDFS and CADFPI leaders as the Senate hearing noted above.

The hearings including the former leaders of the failed banks may have made the most general news as this represented generally the first public appearances of the former bank executives, and the clips of the respective executives being raked over the proverbial coals tends to make for good TV or newspaper copy. Vice Chair Barr and Chair Gruenberg's testimony and appearances generally stuck close to the scripts of their respective post-mortem reports on the [SVB](#) and [Signature](#) failures. Vice Chair Barr's testimony also noted the FRB's release of its semiannual [Supervision and Regulation Report](#), which stated that, notwithstanding the stress the system has experienced since March, "[t]he U.S. banking system is sound and resilient with strong capital and liquidity." Chair Gruenberg's testimony included some discussion of the recently released [Comprehensive Overview of Deposit Insurance System](#), where the FDIC noted possible legislative options to update deposit insurance, including the recommended approach to have targeted, unlimited insurance for certain business transaction and payroll accounts.

The hearings included NCUA Chair and Acting Comptroller Hsu, even though the recent failures have not included any national banks or thrifts or federal credit unions. Acting Comptroller Hsu noted that the OCC is using the reviews done by the FDIC and FRB "to do a 'look across' and evaluate our own supervisory processes to identify any areas that may need adjustment." He offered four preliminary observations to improve confidence in the banking system: (1) supervisors need support to act in a timely and effective manner; (2) regulations regarding the resilience and resolvability of large banks need to be strengthened; (3) deposit insurance coverage needs to be updated; and (4) the diversity (*i.e.*, having banks of all sizes) of the banking system must be preserved as the industry evolves. Acting Comptroller Hsu noted that this is consistent with a theme that has been highlighted during his tenure at the OCC – guarding against complacency. NCUA Chair Harper noted that "the overall performance of federally insured credit unions and the Share Insurance Fund has remained stable" despite the recent stresses, and noted that if Congress does amend deposit insurance coverage, that parity remain for the Share Insurance Fund.

The Q&A sessions during the various hearing showed that, while there might be some consensus that the root cause of the failures should be laid at the feet of former management, there are varying degrees of views among the members of the Committees for what blame lies with the supervisors and/or tailored regulatory relief that passed Congress in the last administration. What is clear is that the Federal banking agencies do seem to have some level of consensus that they have the flexibility to update both their supervisory approaches and applicable regulations without the need for new legislation, and that they will use that flexibility to implement changes on the supervisory front and propose changes on the regulatory front.
