U.S. Chamber of Commerce

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April 19, 2023

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

Dear Chairman Gruenberg:

In the aftermath of recent bank failures, the Chamber appreciates that financial regulators acted quickly to ensure that small businesses retained access to deposits so they could make payroll. Ensuring the banking system remains competitive, as part of a diverse financial ecosystem, will allow businesses of all sizes to have access to a variety of financial services and products and protect our dynamic business environment. We believe it is important that policymakers carefully review all facts before shaping new banking policies because Main Street businesses depend on banks of all sizes for the capital necessary to get started, sustain operations, manage cash, make payroll, and create well-paying jobs.

While it is not unusual for banks to go into receivership, the U.S. Chamber of Commerce supports a careful review of the circumstances contributing to the failures of Silicon Valley Bank ("SVB") and Signature bank. Policymakers should not consider imposing new regulations across the entire banking system until this review is complete. We support what Secretary Yellen recently described as an "evidence-based review," underscoring that "Federal regulators are in the process of reviewing events surrounding the failure of SVB. We should not prejudge the findings of ongoing inquiries, including the important work your agencies have already commenced."[1][2]

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[1] Remarks by Secretary of the Treasury Janet L. Yellen (March 30, 2023), available at https://home.treasury.gov/news/press-releases/jy1376

[2] May 1, 2023 – FDIC report to include policy options for consideration related to deposit insurance;
May 1, 2023 – FDIC Chief Risk Officer Report on FDIC Supervision of Signature;
May 1, 2023 – Federal Reserve Board report on supervision and regulation of Silicon Valley Bank;
"early May 2023" – California Department of Financial Protection and Innovation report on oversight and regulation of SVB; and,
May 30, 2023 – FSOC report quested by the U.S. Senate Committee on Banking, Housing, and Urban Affairs;
TBD – Federal Reserve Board's "Holistic Capital Review" (initiated before failure of SVB and Signature); and,
TBD – GAO report on bank supervision requested by the U.S. Senate Committee on Banking, Housing, and Urban Affairs;

We are therefore confused, if not troubled, by calls for regulation that would purportedly improve stability in the banking system when policymakers have not completed their evidence-based review or recommended what new regulations, if any, could have prevented the failure of these banks. We should focus on understanding the issues at hand. Unfortunately, the post-Dodd Frank tools created a Maginot line of thinking focused on the last crisis, and not necessarily present circumstances or future challenges. History shows that each financial crises has a different root cause. Policymakers should not reflexively assume off-the-shelf regulatory proposals are fit for purpose.

As an example, in addition to the evidence-based reviews of SVB and Signature, the Federal Reserve Board for months has been conducting its "Holistic Capital Review" that is scheduled to be released soon. However, on March 30th, President Biden called on regulators to roll back many of the reforms implemented in response to the enactment of the Economic Growth, Regulatory Relief, and Consumer Protection Act (S. 2155, P.L. 115-174), signed into law in 2018. Regulators should not presume that reverting to Dodd-Frank Act standards is the most efficient approach to improving financial stability. Rather than reflexive judgments, more transparency would be helpful for all stakeholders given the consequential implications of how potential forthcoming regulations could impact financial stability and economic growth. Regulatory changes made that fail to rely on evidence could have unintended consequences on the costs and availability of bank services, products, and credit to American businesses. Additionally, although the final Basel III standards were developed many years ago, we should not necessarily let the failure of SVB and Signature sway how they are implemented.

Finally, we believe it is important to recognize the positive contributions of S. 2155 to our regulatory framework. One clear benefit of this law is that there are now more regional banks to compete with the largest banks – a stable financial system is built on banks of all sizes. This law directed banking regulators to tailor regulations based on not just "size" – but also capital structure, riskiness, complexity, financial activities (including financial activities of subsidiaries), and any other risk related factors. It recognized policymakers should not lump banks into categories purely based on asset size. Accordingly, S. 2155 granted your agencies the flexibility to manage potential risks. Failures in supervision cannot be explained by the policy goals prescribed by Congress.

We urge policymakers to work with all stakeholders to ensure businesses continue to have access to the capital they need to operate, and to not reflexively rush to conclusions about the cause(s) for failure of two banks. In our view, stringent regulations imposed on the entire banking system are not a replacement for weak management or lax supervision at individual banks. We must take the utmost care to ensure that any new regulatory or supervisory requirements are fit for purpose and appropriately weigh financial stability against economic growth.

Sincerely,

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Tom Quaadman
Executive Vice President
Center for Capital Markets Competitiveness
U.S. Chamber of Commerce

CC: The Honorable Travis Hill
The Honorable Jonathan McKernan
The Honorable Michael J. Hsu
The Honorable Rohit Chopra