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United States Senate

COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION

WASHINGTON, DC 20510-6125

WEBSITE: <https://commerce.senate.gov>

LILA HELMS, MAJORITY STAFF DIRECTOR
BRAD GRANTZ, REPUBLICAN STAFF DIRECTOR

March 16, 2023

Mr. Tim Mayopoulos
Chief Executive Officer
Silicon Valley Bridge Bank, N.A.
3003 Tasman Drive
Santa Clara, CA 95054

Dear Mr. Mayopoulos:

As the Ranking Member of the U.S. Senate Committee on Commerce, Science, and Transportation (“Committee”), which has broad jurisdiction over the technology companies that made up the majority of Silicon Valley Bank’s (“SVB”) customers, I write regarding SVB’s apparent disregard for sensible prudential and risk management practices that would have prevented the bank’s collapse and subsequent taxpayer bailout. Furthermore, I seek information regarding SVB’s prioritization of woke environmental, social, governance (“ESG”) practices that may have diverted the bank’s attention from its more fundamental responsibilities to guard the interests of SVB shareholders and depositors.

As its name implies, SVB is the emblematic bank of the tech industry. It claims to be “the financial partner of the innovation economy” and its website touts that “[n]early half” of “US venture-backed technology and life science companies bank with SVB.”¹ Indeed, SVB is so closely tied to Big Tech that a partner at Sequoia Capital—one of the country’s leading venture capital firms in the technology sector—wrote a eulogy for SVB in the *Financial Times*, likening its collapse to “a death in the family.”²

Given SVB’s client base of tech firms and their wealthy founders, it is no surprise that SVB adopted their woke ideology. In 2021, SVB began releasing annual ESG reports.³ Its 2022 ESG Report lists six strategic initiatives, including “Building a Culture of Diversity, Equity, and Inclusion,” and “Advancing the Transition to a Sustainable, Low-Carbon World.” Notably, “Practicing Responsible Corporate Governance” is last on the list.⁴ And in 2022, SVB committed

¹ *Global*, SVB (accessed on Mar. 14, 2023), available at www.svb.com/global.

² Michael Mortiz, *SVB Provided for Tech When Everyone Else Ignored Us*, FINANCIAL TIMES (Mar. 12, 2023), available at www.ft.com/content/e8926841-88ff-4cf5-8c45-4d1879f7ff4b.

³ *ESG Reporting*, SVB (accessed on Mar. 14, 2023), available at www.svb.com/about-us/living-our-values/esg-reporting.

⁴ *Environmental, Social, and Governance Report 2022*, SVB (accessed on Mar. 14, 2023), available at www.svb.com/globalassets/library/uploadedfiles/svb_environmental_social_governance_report_2022.pdf.

\$5 billion in “sustainable finance and carbon neutral operations to support a healthier planet.”⁵

Meanwhile, SVB’s risks were mounting. Its deposits doubled from \$49 billion in 2018 to \$102 billion at the end of 2020.⁶ By 2022, SVB had approximately \$209 billion in total assets and about \$175.4 billion in total deposits.⁷ According to SVB’s recent regulatory filings, 96% of those deposits were uninsured.⁸ Meanwhile, SVB had purchased “huge amounts” of long-term government securities immediately before the Federal Reserve began raising interest rates.⁹ As a result of the Federal Reserve’s interest rate hikes, SVB’s investments were “showing big losses.”¹⁰ This was especially problematic because tech startups were hit particularly hard by rising interest rates and were therefore burning through their deposits quickly.¹¹ In sum, the circumstances at SVB rendered it ripe for a run.

Many have observed that these risks “were lurking in plain sight.”¹² As one *Wall Street Journal* article noted, “[a] rapid rise in assets and deposits was recorded on [SVB’s] balance sheets, and mounting losses on bond holdings were evident in notes to [SVB’s] financial statements.”¹³ The former president of the Federal Reserve Bank of Boston, Eric Rosengren, has insisted that SVB “should have known” about the risks these conditions posed.¹⁴ Similarly, SVB’s regulator, the Federal Reserve Bank of San Francisco, on whose board SVB’s former CEO sat, should have also recognized these risks according to many analysts.¹⁵ Nevertheless, SVB did not hedge its exposure to rising interest rates.¹⁶ And initial reports indicate that SVB’s failure “appear[s] to reflect

⁵ *Silicon Valley Bank Commits to \$5 Billion in Sustainable Finance and Carbon Neutral Operations to Support a Healthier Planet*, SVB (Jan. 10, 2022), [www.svb.com/news/company-news/silicon-valley-bank-commits-to-\\$5-billion-in-sustainable-finance-and-carbon-neutral-operations-to-support-a-healthier-planet](http://www.svb.com/news/company-news/silicon-valley-bank-commits-to-$5-billion-in-sustainable-finance-and-carbon-neutral-operations-to-support-a-healthier-planet).

⁶ Emily Flitter & Rob Copeland, *Silicon Valley Bank Fails After Run on Deposits*, THE NEW YORK TIMES (Mar. 10, 2023), available at www.nytimes.com/2023/03/10/business/silicon-valley-bank-stock.html.

⁷ *FDIC Creates a Deposit Insurance National Bank of Santa Clara to Protect Insured Depositors of Silicon Valley Bank, Santa Clara, California*, FDIC (Mar. 12, 2023), www.fdic.gov/news/press-releases/2023/pr23016.html.

⁸ As of December 31, 2022, SVB held \$173.1 billion in deposits. “[T]he amount of estimated uninsured deposits in U.S. offices that exceed the FDIC insurance limit were \$151.5 billion...[with]...foreign deposits of \$13.9 billion ... [that]...were not subject to any U.S. federal or state deposit.” SVB, Annual Report (Form 10-K) (Feb. 24, 2023), available at <https://www.sec.gov/Archives/edgar/data/719739/000071973923000021/sivb-20221231.htm>.

⁹ Flitter & Copeland, *supra* note 6.

¹⁰ Andrew Barry, *How SVB Was Doomed By a Bad Bet on Mortgage Securities and the Fed’s Rate Hikes*, BARRON’S (Mar. 11, 2023), available at <https://www.barrons.com/articles/svb-silicon-valley-bank-rates-securities-693c931c>.

¹¹ Eric Rosenbaum, *What Comes After the Easy Money Era Ends for Cash-Burning Tech Companies in Silicon Valley*, CNBC (May 19, 2022), available at <https://www.cnbc.com/2022/05/18/what-comes-after-easy-money-era-ends-for-cash-burning-tech-companies.html>; Matt Phillips, *Behind Silicon Valley Bank’s Sudden Rush for Cash*, AXIOS (Mar. 10, 2023), available at <https://www.axios.com/2023/03/10/behind-silicon-valley-banks-sudden-rush-for-cash>.

¹² Ben Eisen & Andrew Ackerman, *Where Were the Regulators as SVB Crashed?*, THE WALL STREET JOURNAL (Mar. 11, 2023), available at <https://www.wsj.com/articles/where-were-the-regulators-as-svb-crashed-35827e1a>.

¹³ *Id.*

¹⁴ *Id.*

¹⁵ “‘It’s inexplicable how the Federal Reserve supervisors could not see this clear threat to the safety and soundness of banks and to financial stability,’ said Dennis Kelleher, chief executive of the left-wing Better Markets advocacy group.” Christopher Rugaber & Fatima Hussein, *Fed Criticized for Missing Red Flags before Bank Collapse*, ASSOCIATED PRESS (Mar. 14, 2023), available at <https://apnews.com/article/federal-reserve-silicon-valley-bank-regulation-609bde9b9248fbc590ff98775e0c8d49>.

¹⁶ Vivek Ramaswamy, *SVB Doesn’t Deserve a Taxpayer Bailout*, THE WALL STREET JOURNAL (Mar. 12, 2023), available at <https://www.wsj.com/articles/silicon-valley-bank-doesnt-deserve-a-taxpayer-bailout-federal-reserve-fdic-risk-startups-treasury-interest-rates-ad440fe9>.

primarily a failure of management and supervision.”¹⁷ Either SVB did not recognize the risks, or it did and decided to ignore them.

SVB’s conduct raises concerns that it may have been more obsessed with promoting woke ESG practices than following sound banking practices. There is evidence to support such concerns. For example, SVB did not have a chief risk officer from April 2022 to January 2023—an eight month period during which “the VC market was spiraling.”¹⁸ Yet six months after the George Floyd protests began, it hired a chief diversity, equity and inclusion officer to “champion, promote and guide the company’s diversity, equity and inclusion (DEI) strategies for its global workforce.”¹⁹ Moreover, in 2022, SVB changed the name of its Board’s “Governance Committee” to the “Governance and Corporate Responsibility Committee and expanded its oversight of the ESG strategy and program.”²⁰ Stretching this important Board committee’s oversight responsibilities to include “environmental sustainability, climate change, and the company’s external DEI initiatives . . . as well as Board diversity,”²¹ may explain how SVB possessed stellar ESG ratings, particularly for governance, from ESG ratings firms²² while risks that would result in the loss of billions of dollars went ignored.

In order for the Committee to understand how SVB’s focus on ESG practices may have resulted in the risks that fueled the bank’s collapse, please provide written responses to the following questions no later than March 30, 2023. In responding to these questions, please keep in mind that SVB is now owned by the American people and has a duty to be transparent with them. You owe them more than general objections that the requested information requested is purportedly confidential supervisory information.

1. How many people worked under the following executives as of March 1, 2023: (1) Danielle Conkling, ESG lead, corporate social responsibility, (2) Craig Robinson, head of corporate social responsibility, and (3) Kim Olson, chief risk officer? Please also provide SVB’s most recent organization chart.
2. Provide a list of all compensation and bonuses that former SVB CEO Greg Becker and the three individuals referred to in question number 1 received in each of the past five years.

¹⁷ *BPI Statement on SVB and Signature Bank*, Bank Policy Institute (Mar. 13, 2023), available at www.bpi.com/bpi-statement-on-svb-and-signature-bank/.

¹⁸ Prarthana Prakash, *Silicon Valley Bank Had No Official Chief Risk Officer for 8 Months While the VC Market was Spiraling*, FORTUNE (Mar. 10, 2023), available at <https://fortune.com/2023/03/10/silicon-valley-bank-chief-risk-officer/>.

¹⁹ *Silicon Valley Bank Hires Chief Diversity, Equity & Inclusion Officer*, SVB (Dec. 2, 2020), available at https://www.svb.com/news/company-news/silicon-valley-bank-hires-chief-diversity-equity-inclusion-officer?utm_campaign=2020-12-corporate-news&utm_source=twitter&utm_medium=social&Campaign=SVB+US:+Other&Channel=45990&Account=SVB_Financial&linkId=106024979.

²⁰ SVB, *supra* note 4.

²¹ *Id.*

²² MSCI Inc. gave SVB an “A” rating and Sustainalytics gave SVB a “Controversy Level” of zero. See Alastair Marsh & Saijel Kishan, *SVB Exposes ‘Lazy’ ESG Funds as Hundreds Bet on Doomed Bank*, BLOOMBERG (Mar. 14, 2023), available at <https://www.bloomberg.com/news/articles/2023-03-14/svb-exposes-lazy-esg-funds-as-hundreds-bought-into-doomed-bank?leadSource=verify%20wall#xj4y7vzkg>.

Include and specifically identify any bonuses paid to Mr. Becker and these individuals on March 10, 2023.

3. In 2022, SVB announced that it had “committed to provide at least \$5 billion by 2027 in loans, investments, and other financing to support sustainability efforts.”²³ How much money did SVB commit to supporting financial risk management efforts in 2022?
4. As a bank holding \$100 billion or more in assets, SVB should have been subject to Regulation YY and internal liquidity stress test requirements.
 - a) Did SVB perform internal liquidity stress tests required by Regulation YY over the past five years, and if so, were they conducted on a monthly or quarterly basis?
 - i. Provide the date of each monthly or quarterly liquidity stress test SVB performed over the past five years and identify what the stress test(s) showed.
 - ii. If there was no stress test performed in any given month or quarter, please note and explain why none was performed.
 - iii. Did monthly or quarterly stress tests consider rising interest rates commensurate with the Federal funds rate? Please indicate the yield of the 3-month Treasury and the 10-year Treasury in Q1 2023 in both the baseline and adverse scenario of each test.
 - b) Did SVB receive any exemption from its liquidity stress test obligations under Regulation YY at any period in the last five years? If SVB was subject to an exemption during any period(s), explain why SVB was exempt and identify the period(s) during which SVB was exempt.
 - c) While Greg Becker, SVB’s former CEO, served on the board of the Federal Reserve Bank of San Francisco, did he discuss any possible exemptions from Regulation YY with any employee or board member of the Federal Reserve of San Francisco? If so, with whom did he have those discussions?
5. What risk management protocols did SVB have in place from January 1, 2020 to March 13, 2023? Please explain why those protocols did not alert you to the risks associated with (a) a customer base concentrated in the technology sector, (b) a high percentage of uninsured deposits, (c) rising interest rates, or (d) unrealized losses.
6. On March 13, 2023, Bloomberg reported that “in late 2020, [SVB’s] asset-liability committee received an internal recommendation to buy shorter-term bonds as more deposits

²³ *Silicon Valley Bank Commits to \$5 Billion in Sustainable Finance and Carbon Neutral Operations to Support a Healthier Planet*, SVB (Jan. 10, 2022), available at [www.svb.com/news/company-news/silicon-valley-bank-commits-to-\\$5-billion-in-sustainable-finance-and-carbon-neutral-operations-to-support-a-healthier-planet](http://www.svb.com/news/company-news/silicon-valley-bank-commits-to-$5-billion-in-sustainable-finance-and-carbon-neutral-operations-to-support-a-healthier-planet).

flowed in,” to reduce its duration risk, but because that would have reduced earnings, “executives balked” and “continued to plow cash into higher-yielding assets.”²⁴

- a) Provide a copy of that 2020 internal recommendation.
 - b) Produce all documents and communications concerning that 2020 internal recommendation.
7. Did any employee, contractor, or board member of SVB communicate with anyone affiliated with the Federal Reserve Bank of San Francisco regarding SVB’s ESG or DEI efforts? If so:
- a) Identify who was involved in those communications;
 - b) Identify when they took place;
 - c) Identify the topic or subject of those communications;
 - d) Identify how they took place (in-person, email, etc.); and
 - e) Produce all documents containing and relating to those communications.
8. Did any employee, contractor, or board member of SVB communicate with anyone affiliated with the Federal Reserve Bank of San Francisco about any risks associated with SVB’s unrealized losses? If so:
- a) Identify who was involved in those communications;
 - b) Identify when they took place;
 - c) Identify how they took place (in-person, email, etc.); and
 - d) Produce all documents containing and relating to those communications.

Thank you for your attention to this matter.

Sincerely,



Ted Cruz
Ranking Member

²⁴ Jennifer Surane, Tracy Alloway et. al, *SVB Failure Sparks Blame Game Over Trump-Era Regulatory Rule*, BLOOMBERG (Mar. 13, 2023), available at <https://www.bloomberg.com/news/articles/2023-03-13/svb-failure-sparks-blame-game-over-trump-era-regulatory-rollback?smd=premium#xj4y7vzkg>.