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Ranking Member Katie Porter
Subcommittee on Health Care and Financial Services
Hearing on "A Failure of Supervision: Bank Failures and the San Francisco Federal Reserve"
May 24, 2023

Anyone who knows my style knows I love hearings. Hearings let Congress hold powerful people accountable. They let us secure commitments from important officials. And most importantly, they let us get to the heart of problems so that we can write good legislation.

As much as I love hearings, I don't love Congress holding hearings on the same thing year after year because we don't learn from our mistakes. **I wish I could say this is Congress' first hearing to dig into the causes of bank failure. It's not. That's because when it comes to regulating our banks, Congress has a short-term memory on what works and what doesn't.**

The lesson from events like the 2008 financial crisis shouldn't be hard to remember: Bank stability happens when we have strong rules in place, and bank failures happen when we take these rules away. Unfortunately, Congress just isn't learning. Let me tell you how things work around here instead.

Every so often our country has a bank failure. If just enough legislators decide to grow a spine, Congress passes legislation to more effectively regulate our banks. It starts to work and we all start to get comfortable.

Then the bank lobbyists come around Capitol Hill. They ask members of both parties to deregulate. Democrats and Republicans get convinced that a little bit of deregulation is an easy way to appear pro-business. Why not ease a few regulations?

What these Members of Congress seem to forget is that there's nothing "pro-business" about a bank failure. But if history is any lesson, the bank failure is coming when we take away the rules that keep banks in check. And just as predictably, the government will swoop in to save the financial system and Members of Congress will yell about how terrible the failure is.

You'd think that would spark re-regulation. Not necessarily. **The problem is the Members of Congress who are loudest about the failure are often the ones most terrified of legislating to address it.**

After the failure of Silicon Valley Bank, I introduced two bills. One reverses the most damaging regulatory rollbacks from the last time Congress listened to lobbyists. The other bipartisan bill claws back unjust compensation from bank executives when their bank fails.

To be sure, I've had great partners on both sides of the aisle. **But what I've noticed is the voices here in Congress that spoke the loudest about how terrible bank failures all of a sudden urge caution about considering legislation. They say, "we need time to look at all the facts before we act." What's there to**

look at? The problem is that we repeatedly regulate, then deregulate, and then take too much time deciding whether to re-regulate.

Along the way, it's the members who get taken in by lobbyists or who are too afraid to act who get us trapped in this vicious cycle. We have a better way. Let's keep rules in place that promise a stable and growing economy. Every fellow capitalist in this room should want this.

We should also want to address the issues outlined in the Federal Reserve's report on the failure of Silicon Valley Bank. Unsurprisingly, this report calls out S.2155, the big 2018 bank deregulatory bill, as one of the key causes of Silicon Valley Bank failures. They say it reduced supervisory standards. I bet you won't hear a ton of Republicans admitting that today.

But at the same time, Republicans will make an important point today. Bank failures don't only come down to the rules we put in place. They also come down to the watchdogs we have in place to enforce them. **The Federal Reserve's report called out failures of Silicon Valley Bank's management and the bank supervisors who oversaw them.** It's not anyone's job to defend the Fed today. We have to take their failures just as seriously as we take deregulation.

All in all, we need to let this year's bank failures be our last hard lesson. From the regulations to the regulators, we can't let anyone off the hook today for the vicious cycle in our banking system.

I yield back.

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