

United States Senate

March 20, 2023

The Honorable Jerome Powell
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue Northwest
Washington, DC 20551

Dear Chair Powell:

This week's meeting of the Federal Open Market Committee (FOMC) is one of significant importance following the recent failures of Silicon Valley Bank (SVB), Silvergate Bank and Signature Bank. The failures and malfeasance, not only of these banks, but their regulators, should be at the top of the agenda. Before the meeting concludes, it is my expectation that you name the individual(s) being fired for these failures, and make clear your support for significant accountability measures at both the Federal Reserve and our banks. If nothing changes, why would you expect a different result in the future?

For the last two years, you have made repeated arguments for higher interest rates to lower inflation and overseen such action by the Federal Reserve. Inflation continues to rage. Since President Biden took office, [food prices are up 19.9%](#), [gas is up 45.2%](#) and [utility costs are up 42.5%](#). In addition, wages are not staying up with inflation. The middle class is shrinking, while the rich are getting richer. This week, as the FOMC meets, inflation must continue to be a top focus, and serious conversations about the failures of SVB and others must be had, including the Federal Reserve's failure to properly identify and prevent this situation. For too long, the Federal Reserve has used its claim of independence to thwart Congress and the American people while being unable or unwilling to properly regulate and supervise the large financial institutions under its care.

This unacceptable lack of accountability means that as families and businesses continue to tighten their belts, Wall Street and Silicon Valley enjoy special treatment and government-backed bailouts from their regulators. This is wrong. It is disgusting that executives at SVB handed out bonuses, and paid themselves, when they knew they were going under. The American people are fed up and will not allow the government to put them on the hook for these failures.

With so much at stake, I write to you today to ask the following questions:

1. I am proposing legislation to establish a presidentially-appointed and Senate-confirmed inspector general for the Federal Reserve. Would you support adding this much-needed level of accountability?
2. Who is being held accountable for the failure of SVB? Where were the failures of supervision by the Federal Reserve Bank of San Francisco and the Federal Reserve System? Do you have confidence that the Federal Reserve is a competent regulator for banks given the gross oversight and mismanagement of banking regulators during this crisis?
3. When did the Federal Reserve know SVB was in trouble, and why didn't you take action sooner as the primary regulator of SVB to prevent its failure?
4. How was SVB's executive compensation program structured? Were there concerns about it from Federal Reserve regulators? How will the Federal Reserve use its regulatory power to claw back the ill-gotten gains and bonuses received by SVB executives before the bank failed?
5. Based on the actions taken following the failures of SVB and Signature, is it the Federal Reserve's position that all large banks with \$100 million or more in assets are now government-backed?
6. How does it make sense to have bank executives sit on the boards of Federal Reserve regional banks?
7. As a key banking regulator, why did the Federal Reserve not take action to ensure banks were not overly exposed and vulnerable to interest rate risk, putting consumers and families at risk?
8. When will the Federal Reserve submit to Congress all communications and documentation related to the Federal Reserve's failures regarding SVB's regulation and supervision?
9. How is the Federal Reserve working with its Office of Inspector General to determine and conclude how these failures occurred and to prevent them from happening again without any government-backed bailouts or impacts to everyday families and consumers?

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10. You built up a massive balance sheet as a member and chairman of the Federal Reserve. You have downsized the balance sheet much slower than you increased it. Why is the Federal Reserve's balance sheet so much larger than historical norms and why are you not downsizing it as fast as you grew it?

I look forward to your prompt response. Consumers and American families must not bear the brunt of the failures of gross mismanagement and greed at their banks or the incompetence and misdeeds of the government regulators who are there to protect them.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rick Scott". The signature is stylized with a large initial "R" and a prominent "S".

Rick Scott

United States Senator