



## MUTUAL ALERT

### The Federal Reserve Board Releases its Review of the Causes of the Failure of Silicon Valley Bank

The Federal Reserve Board has made public today its attached analysis of the principal causes of the failure of Silicon Valley Bank (SVB) and Silicon Valley Bank Financial Group (SVBFG). Understandably, the report criticizes management and the board as being primarily responsible for the problems that led to the bank's failure. Remarkably, it also acknowledges the weaknesses in its own supervisory oversight and failure to take appropriate supervisory action. The analysis makes for interesting reading and not surprisingly also cites the reduced regulatory requirements for large banks under \$250 million in assets as a contributing factor. It also cites weaknesses in the compensation program for bank management and the board. It notes the only individual that failed to receive a bonus at the end of 2022 was the chief risk officer.

The analysis makes public significant internal supervisory documents in connection with the review of the supervision and regulation of SVB and SVBFG. This is highly unusual as these documents include supervisory material that is normally confidential under the Board's regulations. These documents offer unique insight and strong evidence of how weak the supervisory actions taken were and the inexcusable failure of supervision to recognize the looming risks until it was too late. No doubt there will be significant staff changes at both San Francisco and in Washington. The issue for mutual banks is whether new regulatory requirements will be imposed on small banks whose practices had no bearing on this "systemic" failure. We will continue to monitor these developments and impress upon regulators and key legislators the sins of large banks should not be visited upon mutual community banks.

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