

September 27, 2023

The Honorable Charles E. Schumer
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, D.C. 20510

Re: Passing S. 2190, the Recovering Executive Compensation from Unaccountable Practices (RECOUP) Act

Dear Majority Leader Schumer and Minority Leader McConnell:

In the wake of the Silicon Valley Bank (SVB), Signature Bank, and First Republic Bank failures, the undersigned organizations urge you to pass S. 2190, the Recovering Executive Compensation from Unaccountable Practices (RECOUP) Act. This legislation would make it easier to hold executives accountable — and prevent the excessive risk-taking that leads to bank failures in the first place.

Consumers, depositors, and the public must be protected from bankers' greed and short-sighted, risky decision-making. In its report analyzing the failure of SVB, the Federal Reserve found that compensation arrangements and practices "encouraged excessive risk-taking to maximize short-term financial metrics" and that executives were paid cash bonuses the day SVB failed.¹

Additionally, soon after SVB's failure, news reports revealed that a trust owned by CEO Greg Becker sold \$3.6 million worth of SVB shares less than two weeks before its collapse.² Similarly, news also broke that executives at First Republic Bank sold millions of dollars of

¹ Board of Governors of the Federal Reserve System, "Review of the Federal Reserve's Supervision and Regulation of Silicon Valley Bank," 75, Apr. 28, 2023, *available at* <https://www.federalreserve.gov/publications/files/svb-review-20230428.pdf>.

² Ben Foldy, "Silicon Valley Bank CEO Sold \$3.6 Million in Shares Days Before Fatal Loss Disclosed," The Wall Street Journal, Mar. 10, 2023, *available at* <https://www.wsj.com/livecoverage/stock-market-news-today-03-10-2023/card/silicon-valley-bank-ceo-sold-3-6-million-in-shares-days-before-fatal-loss-disclosed-6re8L8VDWjk956bOLaDD>.

company stock in the months leading up to its failure.³ Meanwhile, public pension funds lost millions of dollars when the SVB share price tanked.⁴

Executives should not be allowed to walk away with millions after they run their banks into the ground and put consumers, depositors, and our financial stability at risk. They must be held accountable. The RECOUP Act would increase accountability and help prevent unnecessary risk-taking by: 1) strengthening banking regulators' authority to remove or bar executives from holding jobs in the banking industry if they do not appropriately oversee and manage the risks and governance of their banks; 2) beefing up governance and accountability standards within banks' own governance frameworks; 3) expanding the FDIC's authority to claw back compensation from executives at failed banks; and 4) expanding and strengthening the FDIC's authority to bring fines against executives who engaged in wrongdoing. The bill also takes an important step against dangerous bank consolidation by limiting the circumstances under which large banks can acquire failed banks, so as to not exacerbate the too-big-to-fail problem as regulators seek to resolve failing banks.

The RECOUP Act was voted out of the Banking, Housing, and Urban Affairs Committee with overwhelming bipartisan support: 21 out of 23 senators voted for it. Almost six months after the collapse of SVB, it is time to pass this timely, bipartisan legislation. Congress should not wait for another banking crisis to take action.

Sincerely,

Americans for Financial Reform
American Economic Liberties Project
American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)
20/20 Vision
American Federation of Teachers (AFT)
Committee for Better Banks
Communications Workers of America (CWA)
Institute for Agriculture and Trade Policy
Institute for Local Self-Reliance
Institute for Policy Studies, Global Economy Project

³ Ben Foldy & Tom McGinty, "First Republic Bank Executives Sold \$12 Million in Stock in Months Before Crash," The Wall Street Journal, Mar. 16, 2023, *available at* <https://www.wsj.com/articles/first-republic-bank-executives-sold-12-million-in-stock-in-months-before-crash-ca6ce79e>.

⁴ Peter Charalambous, "Pension funds report millions in losses amid Silicon Valley Bank collapse," ABC News, Mar. 17, 2023, *available at* <https://abcnews.go.com/US/pension-funds-report-millions-losses-amid-financial-crisis/story?id=97932375#:~:text=The%20losses%20represent%20a%20small%20percentage%20of%20the%20funds'%20total%20investments.&text=Silicon%20Valley%20Bank's%20collapse%20is,shares%20before%20the%20bank's%20collapse>.

Public Citizen
The Value Alliance
United for Respect