

U.S. Senator Maria Cantwell

Senate Finance Hearing on the President's Fiscal Year 2024 Budget

Witnesses: Janet Yellen, Secretary, United States Department of the Treasury

March 16th, 2023

Q&A Portion

[\[AUDIO\]](#) [\[VIDEO\]](#)

Senator Cantwell: Thank you, Mr. Chairman, Secretary Yellen, thank you so much for not just today, but over the weekend and the attention you've given to this issue.

It really does impact small businesses and while the name of a bank might be Silicon Valley Bank, I guarantee you the innovation economy comes through Seattle, and probably many small businesses in my state were impacted by what transpired. And it's why we need to make sure that the banking system really does have mechanisms that help the startup economy and innovation. In my mind, that's why we did CHIPS and Science is to let a lot of innovation unfold, but people have to get financing.

So Jesse Salk, the grandson of Jonas Salk, is a Molecular Biologist and Clinical Oncologist who started TwinStrand Biosciences in the state of Washington. He and his team at TwinStrand are developing cutting edge gene sequencing techniques to help us fight cancer.

And he told my office this week that quote, "It was a big deal to step outside my comfort zone and start a company to help get a new genomic technology to help treat cancer patients faster. The last thing I expected us to need to think about was if we could rely on a bank."

So the potential impact of Jesse's company having to pause or even cease operations due to banking failure isn't just jobs or dollars lost, which are important considerations to our economy, it's actually lives lost too. So I, again, appreciate what the Federal Reserve, the FDIC, and everyone who stepped in, but it never should have happened in the first place.

So my questions really are about these small businesses. Again, I think people think of them, "oh, they're going to be giant businesses," but at their start, they are small businesses. So I think Silicon Valley Bank was able to attract and help further this.

So now, where do we go? Where do we go? Are we going to push Jesse back towards a larger bank? I'm curious, one of the reasons why there was so much of a concentration is that there was a requirement by the bank that you have all of your holdings in that bank. And so I want to hear what you think about that.

How do we ensure that these small businesses feel safe in putting their loans in? Are we just going to see... how do we, again, treat a startup economy and allow these funds to work cost effectively? And should we get rid of a requirement by a bank that says that to get these terms, they have to have all their funds in that bank.

Secretary Yellen: So I'm not aware of the requirement that you mentioned. But certainly, we want to make sure that depositors whether they're individuals, or households, or small businesses, feel

confident that the banks that they entrust their savings to or their working balances that they use to pay their workers. We want to make sure that they feel confident that these banks are safe, and that they can do business with them.

And that's an important reason why we stepped in with the FDIC and the Federal Reserve to intervene because I do believe the banking system in the United States is sound, and resilient. And we wanted to make sure that the problems at Silicon Valley Bank and Signature Bank didn't undermine confidence in the soundness of banks around the country. And we wanted to make sure that there wasn't contagion that could affect other banks and their depositors.

Senator Cantwell: Yep. So it's basically a requirement that they, you know, it's an affirmative covenant that they maintain [with] borrowers and depositors."

Secretary Yellen: That's something imposed by the bank?

Senator Cantwell: Yes on the startups as a way to corral. So I think this is why you had such a concentration and we should look at that as a particular issue.

What about Glass-Steagall? I've been a big supporter of Glass-Steagall and when it comes to this moment, and I keep thinking, why did we ever allow us to have the commingling of separation of commercial and investment banking?

It seems to me that continuing to protect depositors and having a system where people can take risk and if they suffer loss, okay, but that's not what we have. We have such a commingled system now. What do you think about relooking at Glass-Steagall?

Now, I'm not asking for the Treasury Secretary to make big news here. I'm really just asking if you thought the same situation would have occurred, the way it occurred, if we had not in 2000 gotten rid of Glass-Steagall.

Secretary Yellen: You know, we're very focused right now on stabilizing the banking system and shoring up confidence. And I think there will be plenty of time that will be appropriate to look at what happened and consider whether or not regulatory or supervisory changes are necessary and look forward to working with you and discussing what happened and what response is appropriate.

But for now, I would like to see confidence restored in the soundness of American Banks.

Senator Cantwell: Thanks. Well, I would just say this on this subject, I believe in the information age, and I believe one of America's secrets is access to capital. So I want great access to capital formation. I don't want to see those in banking that understand startups go away. I don't want it to be concentrated at big banks.

But I also want us to make sure that we have a system that is, I think we see now from 2009 what happened and now this incident, that the commingling of these things are giving people - I'm not sure that's the way we get access to capital. I'm not sure that that's it, or at least we didn't have a system that protected us. It didn't protect us in the end. So we have to get something.

Secretary Yellen: They were depository institutions. They weren't investment banks.

Senator Cantwell: Yes, but it's blurred.