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Who stopped the rescue of Silicon Valley Bank?

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Transparency and accountability demand that Congress hold more hearings related to the Silicon Valley Bank (SVB) failure, and at least one more is sure to come. Congress especially needs to get to the bottom of exactly which Federal Deposit Insurance Corporation board member – or members – decided the FDIC would prevent nonbank financial companies from purchasing the failed bank.

The *Wall Street Journal* is reporting the FDIC "snubbed nonbanks interested in buying SVB [Silicon Valley Bank], resulting in increased costs to the insurance fund," a revelation that doesn't seem to be getting the attention it deserves.

Beyond the obvious implications for the potential cost to the FDIC insurance fund, this issue demonstrates at least one major problem with the U.S. bank regulatory framework: regulators have too much discretion. There is no good reason that anyone at the FDIC should be able to decide winners and losers by making it more difficult for nonbanks to purchase failed banks. All Americans are paying for this mess, as well as FDIC insurance, and they're not banks.

What makes this move look even worse is that the experience with private equity firms after the 2008 crisis was so positive. The FDIC itself published evidence showing private equity companies calmed markets and saved the FDIC insurance fund billions by purchasing troubled banks. Regardless, the Journal's story gives credence to the idea that someone could have purchased SVB and prevented the FDIC's fear-inducing systemic risk exception.

Congress should immediately get to the bottom of who at the FDIC prevented nonbanks from rescuing SVB. Members should then improve the regulatory framework by paring back regulators' discretion and shrinking the FDIC coverage limit.

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