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Bank Regulators Lose Patience for Slow Remediation as They Step up Supervision

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James W. Stevens

James Stevens, co-leader of Troutman Pepper's Financial Services Industry Group, was quoted in the May 9, 2023 *S&P Global Market Intelligence* article, "Bank Regulators Lose Patience for Slow Remediation as They Step up Supervision."

"One issue that I have never really heard regulators focus on before, but have been hearing focus on lately, is the composition of banks' deposits, both in terms of concentrations to depositors and to industries," said James Stevens, co-leader of the financial services industry practice at Troutman Pepper. "They're also focusing, in a way that I hadn't really seen before, on levels of uninsured deposits."

…

Regulators are now stepping up their oversight of banks' funding sources, investment strategies and levels of unrealized losses, Stevens said.

"Regulators may require banks that have higher liquidity risks, paired with large unrealized losses, to raise capital to some extent against those losses," he said.

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"In a fast-growth business, the AOCI can get out of control pretty fast, especially if you haven't been able to make loans as fast as you're making deposits, and that was certainly the case with SVB," Stevens said.

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"They'll be looking at that, obviously, but there's a tradeoff between capital and profitability, too," Stevens said. "SVB had plenty of capital, it just didn't have enough liquidity to absorb a massive run on the bank."

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