



ADVANCING AMERICAN FREEDOM

RECOUP Act is Warren-Lite

Topline: The Brown-Scott clawback bill would give bank regulators arbitrary authority to claw back executive pay when banks fail but does nothing to hold regulators accountable for sleeping on the job.

Background

- Earlier this year, we witnessed the failure of two federally regulated commercial banks (Silicon Valley Bank and Signature Bank) as a result of federal mismanagement and regulators asleep at the wheel in the midst of historic inflation and rising interest rates induced by a government spending spree.
- The government response was pitiful in everything but the price point, and completely counterproductive to the task of preventing future failures.
- By bailing out these banks, including the deposits of many Chinese companies that were SVB customers, the Biden administration continues the Obama administration's policy of promoting moral hazard.
- In the wake of SVB's collapse, anti-bank Bolsheviks like Senator Elizabeth Warren tried to ram their progressive policies through Congress but were thwarted by commonsense.
- Now, in their own "response" to these bank failures, Senate Banking Chair Sherrod Brown and Ranking Member Tim Scott have introduced a "Warren-lite" executive compensation clawback.

RECOUP Act - Background

- Gives the FDIC discretion to claw back up to two years of compensation for the executives of failed depository institutions (exempting lenders with less than \$10 billion in assets). *This is just shy of Senator Warren's proposed three-year clawback period.*
- Raises the civil money penalty for reckless behavior causing a substantial loss to a depository institution from \$1 million to \$3 million. *Senator Warren's bill contains no such provision.*
- Introduces new Environmental, Social, and Governance (ESG) mandates, forcing banks to comply with additional unnecessary regulations.

RECOUP Act - Impact

- This bill does nothing to address and preempt the causes of bank failures and instead punishes private companies for their own business decisions.
- Rather than focusing on the roles of a mismanaged Federal Reserve and a crushing regulatory regime, this legislation merely serves as a slap on the wrist to a small subset of bank executives.
- Additionally, this legislation would seek to codify ESG mandates that further the policy priorities of the Left through corporate governance with little to no legislative oversight.

Instead of supporting legislation that serves as a vehicle for progressive policy priorities, conservatives should address and preempt the causes of bank failures, starting with the catastrophic mismanagement of the Fed. This should include heavy scrutiny of the Fed's dual mandate and its special exemptions from federal oversight.

Resources

- Advancing American Opportunity ([Advancing American Freedom](#))
- Pence Blasts Biden Bank Bailout ([Daily Mail](#))



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