PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

September 17, 2025

“THIS INDUSTRY IS A JOKE”:

HOW KPMG’S UNQUALIFIED AUDITS OF SILICON VALLEY BANK, SIGNATURE BANK, AND FIRST REPUBLIC BANK ALLOWED TROUBLED BANKS TO HIDE THEIR FAILURES IN PLAIN SIGHT

Senator Richard Blumenthal | Minority Staff Report

SYNOPSIS

Early 2023 was marked by the collapse of three major American banks: Silicon Valley Bank, Signature Bank, and First Republic Bank. Weeks, if not days before their respective failures, all three banks issued annual financial statements, each of which was audited by the same firm, KPMG LLP. KPMG certified that each of the banks presented their numbers fairly and accurately to the public. Shortly afterwards, significant flaws within these institutions came into public view. Depositors withdrew their holdings with historic velocity, leading to the banks' dramatic collapse. Two days after the last bank collapsed, the Permanent Subcommittee on Investigations ("PSI") launched an investigation into KPMG's handling of the audits of the collapsed banks. During its 28-month inquiry, PSI obtained over 400,000 pages of documents and conducted nearly 100 hours of briefings and transcribed interviews with auditors and regulators. This investigation uncovered the following key takeaways.

1. KPMG had years-long awareness of the problems at the banks that precipitated each bank's eventual failure, but either ignored or justified these concerns, leaving the depositors and investors unaware of the banks' deficient recordkeeping, troubled risk management, and other concerning practices. Such omissions included:

    - KPMG did not acknowledge at least six factors known to the firm that could threaten Silicon Valley Bank's survival as it finalized its audit 14 days before the collapse.
    - KPMG dismissed credible allegations of widespread fraud at Signature Bank before it collapsed and justified deficiencies in the bank's recordkeeping.
    - KPMG did not alert First Republic Bank's board of directors to concerns the auditor had about the bank's ability to survive, even as the bank published its quarterly earnings release seven days before it collapsed.

2. The auditing industry is significantly underregulated and in need of reform. The agency charged with regulating the auditing industry, the Public Company Accounting Oversight Board ("PCAOB"), has been undermined by the deeply entrenched auditing industry from its creation. In practice, auditors create their own standards and follow their own rules.

3. The 2023 bank collapses harmed thousands of people. Millions more could have lost their savings and investments if these collapses had triggered more bank failures in their wake. KPMG has thus far faced no meaningful consequences for how it conducted these audits, highlighting the need for Congressional action.

The following report encompasses the findings from the Subcommittee's investigation and includes five recommendations for reforming how independent auditors are regulated with the aim of increasing corporate transparency and investor protection in our capital markets.

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EXECUTIVE SUMMARY

On March 8, 2023, Silicon Valley Bank shocked the financial world with its efforts to raise emergency capital, sparking imminent concerns about its stability.[1] Within forty-eight hours, panicked depositors tried to withdraw over $140 billion and the bank collapsed.[2] Fear rippled across the banking industry as depositors and investors searched for signs of contagion spreading to other banks, creating a chain reaction that would lead to the failures of Signature Bank and First Republic Bank, create volatility in Treasury markets, and threaten the stability of the American economy.[3] Ultimately, the federal government extended over $300 billion in loans to other banks impacted by deposit flight and spent approximately $40 billion insuring depositors at failed banks in order to restabilize the financial system.[4] Collectively, the three banks that failed in early 2023 held more assets than the 25 banks that collapsed in 2008 during the mortgage crisis.[5] Beyond the risk to customer deposits, the bank collapses in early 2023 wiped out $54 billion in stocks and bonds as the banks declined in value until they became worthless, with one pension fund losing nearly $700 million after First Republic Bank collapsed.[6] Within days of the collapse of Silicon Valley Bank, $108 billion of deposits flowed out of smaller banks as 16 percent of Americans moved their money in anticipation of further failures.[7]

Silicon Valley Bank, Signature Bank, and First Republic Bank had more in common than their failures. They all had the same auditor: KPMG. By law, independent auditors have a

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[1] *See* Bd. Governors Fed. Rsrv. Sys., *Review of the Federal Reserve's Supervision and Regulation of Silicon Valley Bank* (Apr. 28, 2023), 4, https://www.federalreserve.gov/publications/files/svb-review-20230428.pdf.

[2] *See id.*

[3] *See* Eva Su, Cong. Rsch. Serv., IN12141, The Silicon Valley Bank Failure's Capital Markets Implications (2023), 2, https://www.congress.gov/crs-product/IN12141.

[4] *See* Gabriel Rubin, *Live Coverage: Fed Emergency Lending Jumped to About $300 Billion in Week Ended Wednesday,* WALL ST. J. (Mar. 16, 2023), https://www.wsj.com/livecoverage/stock-market-news-today-03-16-2023/card/fed-emergency-lending-jumped-to-nearly-300-billion-in-week-ended-wednesday-YpGvEAtHbchh4OKdQCG7; U.S. Fed. Deposit Ins. Corp., *Annual Report 2023* (Feb. 22, 2024), 8, https://www.fdic.gov/about/financial-reports/reports/2023annualreport/2023-arfinal.pdf.

[5] *See* Karl Russell & Christine Zhang, *3 Failed Banks This Year Were Bigger Than 25 That Crumbled in 2008,* N.Y. TIMES (May 1, 2023), https://www.nytimes.com/interactive/2023/business/bank-failures-svb-first-republic-signature.html.

[6] *See* Paige Smith & Jill R. Shah, *Busted Banks Wipe Out $54 Billion From Stocks, Bonds During Turmoil*, BLOOMBERG (May 3, 2023), https://www.bloomberg.com/news/articles/2023-05-03/busted-banks-wipe-out-54-billion-of-stocks-bonds-amid-turmoil; Rachel Fixsen, *With €620m losses, Alecta wins race to lead First Republic Bank class action*, IPE (Dec. 6, 2023), https://www.ipe.com/news/with-620m-losses-alecta-wins-race-to-lead-first-republic-bank-class-action/10070500.article.

[7] *See* Nicholas Reimann, *16% Of Americans Moved Money After Silicon Valley Bank Failure, Poll Suggests,* FORBES (Mar. 22, 2023), https://www.forbes.com/sites/nicholasreimann/2023/03/22/16-of-americans-moved-money-after-silicon-valley-bank-failure-poll-suggests/; Lucinda Shen, *Big bank deposits rise as small banks see outflows,* AXIOS (Mar. 27, 2023), https://www.axios.com/pro/fintech-deals/2023/03/27/big-bank-deposits-rise-small-banks-see-outflows-svb.

"fundamental obligation" to protect investors by providing "informative, accurate, and independent" assessments of the information companies report to the public about their finances.[8]

KPMG issued an audit opinion for Silicon Valley Bank 14 days before it collapsed, Signature Bank 11 days before it collapsed, and First Republic Bank 62 days before it collapsed, representing KPMG's assessment that the banks' respective financial statements were fairly and accurately presented.[9] Indeed, in each instance, KPMG publicly certified that the bank's financial statements "present fairly, in all material respects, the financial position of the [bank]" and that each bank "maintained, in all material respects, effective internal control over financial reporting."[10] These audit opinions, signed by KPMG, left many depositors and investors with the impression that each bank was financially sound.[11]

The banks' rapid failures following these assurances demonstrate how the current regime for executing and issuing audits can fail to illuminate fundamental risks, leading to grave consequences both for the company audited and the market. Regulatory assessments following the collapse of the banks attributed the failure of these institutions to mismanagement that made them vulnerable to market conditions.[12] In many cases, the regulators acknowledged they had been too slow to identify and address these problems with the banks.[13] No regulatory assessment suggested that KPMG played a role in the failures of the banks, and the Subcommittee does not take a position regarding whether KPMG's audits of Silicon Valley Bank, Signature Bank, and First Republic Bank did or did not violate auditing standards, as currently exist. However, PSI's investigation reveals the extent to

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[8] Pub. Co. Acct. Oversight Bd., *AS 1000: General Responsibilities of the Auditor in Conducting an Audit*, https://pcaobus.org/oversight/standards/auditing-standards/details/as-1000--general-responsibilities-of-the-auditor-in-conducting-an-audit (last visited Sept. 9, 2025).

[9] Signature Bank, Annual Report (Form 10-K) (Mar. 1, 2023), at 120; Silicon Valley Bank, Annual Report (Form 10-K) (Feb. 24, 2023) at 94; First Republic Bank, Annual Report (Form 10-K) (Feb. 28, 2023) at 200; U.S. Fed. Deposit Ins. Corp., *FDIC's Supervision of First Republic Bank*, 6 (Sept. 8, 2023) https://www.fdic.gov/news/press-releases/2023/pr23073a.pdf. On July 25, 2025, KPMG told the Subcommittee: "Consistent with their mandate, federal banking regulators regularly assessed the safety and soundness of SVB, Signature Bank, and First Republic Bank... in each case, the regulators assessed these banks as unlikely to fail." Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, Appendix A, 58 (July 25, 2025) (on file with the Subcommittee).

[10] Silicon Valley Bank, Annual Report (Form 10-K) at 92, (Feb. 24, 2023); Signature Bank, Annual Report (Form 10-K) at 110, 118, (Mar. 1, 2023); First Republic Bank, Annual Report (Form 10-K), at 197, (Feb. 28, 2023).

[11] *See e.g.*, Stephen Foley, *Three failed US banks had one thing in common: KPMG*, FINANCIAL TIMES (May 3, 2023), https://www.ft.com/content/feb33914-493e-467c-b67e-28fcd1b3814d.

[12] *See* Bd. Governors Fed. Rsrv. Sys., *supra* note 1, at 1, 4-5; U.S. Fed. Deposit Ins. Corp., *supra* note 9, at 5-8; U.S. Fed. Deposit Ins. Corp., *FDIC's Supervision of First Signature Bank* (Apr. 28, 2023), 2-3, https://www.fdic.gov/news/press-releases/2023/pr23033a.pdf.

[13] *See* Bd. Governors Fed. Rsrv. Sys., *supra* note 1, at 5; U.S. Fed. Deposit Ins. Corp., *FDIC's Supervision of First Signature Bank*, *supra* note 12, at 3-4; U.S. Fed. Deposit Ins. Corp., *supra* note 9, at 5.

which auditors can be aware of deep flaws within an institution long before they are disclosed, or otherwise made apparent, to the public.

For its work on the 2022 audits of the three failed banks, KPMG billed nearly $20 million combined.[14] Prior to their failure, KPMG had audited Silicon Valley Bank for 28 years, Signature Bank for 21 years, and First Republic Bank for 31 out of 34 consecutive years.[15] While it is unclear whether KPMG received payment in full for its work on the 2022 audits, the firm has never been required to disgorge the revenue it made from these audits and has never otherwise been publicly scrutinized for the audit opinions it issued for these banks—in some cases just days before they ceased to exist.

On May 3, 2023, two days after the collapse of First Republic Bank, the Permanent Subcommittee on Investigations ("PSI" or the "Subcommittee") launched an investigation into KPMG's audits of each of the three failed banks.[16] Throughout the course of that investigation, the Subcommittee reviewed more than 400,000 pages of documents, conducted ten transcribed interviews with KPMG auditors, and received briefings from the SEC, the Public Company Accounting Oversight Board ("PCAOB"), the Board of Governors of the Federal Reserve ("Federal Reserve"), and the Federal Deposit Insurance Corporation ("FDIC").[17] In the course of its investigation, the Subcommittee consulted a number of experts in the fields of public company auditing and regulation, including academics and former auditors.

KPMG's lead audit partner for Silicon Valley Bank told the Subcommittee that assessing a client's "risky or even reckless business strategy" was not KPMG's responsibility, a sentiment with which each of the other lead audit partners told the Subcommittee they agreed.[18] The

[14] *Infra* Finding I(e); II(e); and III(c).

[15] *Infra* Finding IV(a).

[16] Letter from the Hon. Richard Blumenthal, Chairman, S. Permanent Subcomm. on Investigations, and the Hon. Ron Johnson, Ranking Member, Permanent Subcomm. on Investigations to Paul Knopp, CEO, KPMG LLP (May 3, 2024), https://www.hsgac.senate.gov/wp-content/uploads/2023-05-03-Blumenthal-and-Johnson-Request-to-KPMG-1.pdf (last visited Sept. 12, 2025).

[17] For simplicity, references to the "Federal Reserve" throughout this report include the Board of Governors as well as the regional Federal Reserve banks, unless otherwise specified.

[18] *See e.g.*, PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 154; PSI Interview with Lead Audit Partner 1, Partner, KPMG (Jan. 10, 2024) at 10; PSI Interview with Lead Audit Partner 2, Lead Audit Partner, KPMG (Feb. 29, 2024) at 10, 19; PSI Interview with Mike Keehlwetter, Audit Partner, KPMG (Jan. 9, 2024) at 203. "[PSI]: Put another way, the bank could fail as a result of its risky or even reckless business strategy, but as long as the financial statements are sound, is it accurate that KPMG would have no cause for concern?. . . . [Witness]: We would evaluate whether there is substantial doubt of the entity's ability to continue its going concern. . . . And if the numbers were presented appropriately and if there is substantial doubt [sic] and we obtained the evidence that we needed, that would support our audit opinion." PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 154.

Subcommittee's review shows how that mindset persisted, even as KPMG encountered credible evidence of mounting risks in the final weeks before these banks collapsed. The Subcommittee's findings include the following facts regarding each audit of a collapsed bank:

Silicon Valley Bank

- **Awareness of Internal Audit Weakness**: The Federal Reserve alerted KPMG to "foundational weaknesses" in Silicon Valley Bank's internal audit department in April 2022.[19] However, KPMG was already aware the department was struggling to produce sufficient, timely information.[20] In fact, when the Federal Reserve again raised concerns about the bank's internal audit department in January 2023, KPMG told the regulator it had not relied on information the department produced in over three years.[21]

- **Erroneous "Going Concern" Analysis**: The day before KPMG finalized its 2022 audit, it completed a "going concern" analysis, which included a checklist of circumstances that, if applicable, could signal a problem with the bank's continued viability.[22] KPMG identified no risks to Silicon Valley Bank's ability to exist as a going concern—just 14 days before the bank's collapse. As KPMG concluded its audit, it failed to identify at least six risks, well known to KPMG, which could have led to additional scrutiny of the bank's broader risk profile.[23]

- **Absence of Well-Known Risk in Board Presentation**: KPMG failed to incorporate the well-known risks of rising interest rates as it presented its 2022 audit plan to Silicon Valley Bank's board of directors in the spring of 2022, and again after completing the audit and presenting it to the bank's leadership in February 2023.[24]

- **Rushed Documentation Amidst Collapse:** As Silicon Valley Bank's stock plummeted hours before the bank run preceding its collapse, KPMG signed a comfort letter, using ten-day-old data, that the bank would need to issue additional shares of stock for emergency capital.[25] The bank collapsed before its executives signed the documentation needed to issue the letter.[26]

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[19] Federal Reserve Bank of San Francisco, Meeting Summary, Quarterly RCM Meeting with KPMG (Apr. 19, 2022), FRB_SVB_PSI_000012 at 14.

[20] *See infra* Finding I(b).

[21] *See infra* Finding I(b).

[22] *See infra* Finding I(c).

[23] *See infra* Finding I(c).

[24] *See infra* Finding I(b).

[25] *See infra* Finding I(d).

[26] *See infra* Finding I(d).

Signature Bank

- **Mortgage Fraud Allegations Overlooked:** Early in the 2022 audit, KPMG learned of whistleblower allegations of widespread mortgage fraud that implicated portions of the bank's financial statements pertaining to credit risk.[27] KPMG did not conduct an independent review of these allegations, instead relying on an oral summary from the bank's law firm.[28] KPMG issued an unqualified audit opinion without accounting for the allegations.[29]

- **Downplayed "Significant Deficiency"**: KPMG auditors struggled to obtain documentation from Signature Bank related to a "significant deficiency" in the bank's investment securities portfolio that implicated the bank's ability to properly value its assets.[30] KPMG's second most senior auditor on the engagement team wrote to a team member that "signature has like SDs [significant deficiencies], and they don't give AF."[31] KPMG told the bank's board of directors that the deficiencies "were remediated by year-end" despite facing resistance from the bank in obtaining necessary documentation.[32]

- **CFO Influenced KPMG's Audit Execution**: The bank's CFO, a former colleague of KPMG's lead audit partner, persuaded the audit team that it did not need to seek certain additional information about deficiencies in the bank's ability to properly value its assets — concerns that resonated with flaws in the bank's recordkeeping that led regulators to lose faith in the institution in its final days.[33]

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[27] *See infra* Finding II(b).

[28] *See infra* Finding II(b).

[29] *See infra* Finding II(b). On July 25, 2025, KPMG told the Subcommittee: "KPMG complied with these auditing standards and followed accepted industry practices in 'shadowing' the investigation performed by qualified outside counsel and conducting an assessment as to whether the process followed by outside counsel was reasonable, before concluding that they could rely on the investigation findings." Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, Appendix A, 58 (July 25, 2025) (on file with the Subcommittee). For additional details, see the complete workpaper KPMG prepared in response to the whistleblower allegations in Appendix 2.

[30] *See infra* Finding II(d).

[31] Internal KPMG Communications, (Feb. 2, 2023) KPMG-SBNY-PSI-0000040438 at 40441 (on file with the Subcommittee); *see infra* Finding II(d).

[32] Letter from KPMG to Signature Bank, (Mar. 1, 2023) (on file with the Subcommittee) KPMG-SBNY-PSI-WP-0000001185 at 1185; *see infra* Finding II(d).

[33] *See infra* Finding II(d).

- **Lacking Cryptocurrency Expertise**: The KPMG auditor responsible for testing Signature Bank's proprietary blockchain payment platform, which was central to Signature Bank's business model, did not possess specialized expertise in that technology.[34] In fact, he could not describe the fundamental principles of cryptocurrency technology when asked by the Subcommittee.[35]

First Republic Bank

- **Failure to Warn the Board of "Going Concern" Risks:** 11 days before First Republic Bank failed, the bank conducted a regulatorily required analysis of its ability to continue as a going concern.[36] Internally, KPMG expressed concerns with the assumptions the bank used to justify its ability to continue operations. However, the auditor did not raise any of these concerns with the bank's board of directors at a meeting on April 21, 2023, ten days before the bank failed.[37]

- **Failure to Challenge Undisclosed Risk in Earnings Release:** KPMG read the bank's quarterly earnings release before it was published on April 24, 2023, which did not disclose meaningful risks regarding its financial condition or continued viability.[38] KPMG did not challenge these undisclosed risks. It is unclear whether KPMG would have challenged the bank regarding the absence of these disclosures had the bank issued its quarterly interim financial statement as scheduled on May 9, using essentially the same figures.[39] KPMG did not have an obligation to review the bank's earnings release, but would have needed to sign off on its interim financial statement.[40]

Auditor Independence

- **KPMG's Revolving Door**: Each of the three failed banks had been audited by KPMG for decades before they collapsed. The Subcommittee found ten instances in which KPMG auditors interacted with former KPMG auditors who worked for the banks at the time of the 2022 audit. The Subcommittee also identified one KPMG auditor who had formerly worked for an audited bank and was involved in that bank's audit.[41]

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[34] *See infra* Finding II(c).

[35] *See infra* Finding II(c).

[36] *See infra* Finding III(b).

[37] *See infra* Finding III(b).

[38] *See infra* Finding III(b).

[39] *See infra* Finding III(b); *See* Sec. Exch. Comm'n, *Request for Comment on Earnings Releases and Quarterly Reports* (Release Nos. 33-10588; 34-84842; File No. S7-26-18), 14 note 48.

[40] *See infra* Finding III(b).

[41] *See infra* Finding IV(b).

- **Recent Conflict of Interest at Failed Bank**: Signature Bank's Chief Risk Officer had served as the lead audit partner for KPMG's 2021 audit of Signature Bank, signing its 2021 audit opinion before accepting employment with the bank as its Chief Risk Officer three months later.[42] The former KPMG partner maintained a financial relationship with KPMG for 17 months after joining the bank.[43]

- **Aggressive Push to Retain Business In Final Days Before Collapse**: In the final weeks of Silicon Valley Bank's existence, KPMG leadership leaned on their familiarity with the bank's executives in an attempt to retain business after learning the bank's board of directors was considering accepting bids for a new auditor in response to regulatory scrutiny.[44] This outreach included a surprise appearance at a closed meeting of the board and review of a potential $3-4 million charity sponsorship at the request of the bank's CEO.[45]

Beyond KPMG, the Subcommittee's findings indicate alarming and pervasive trends within the auditing industry, wherein a small number of large firms maintain lengthy relationships with their clients.[46] These powerful incumbents threaten our capital markets when longstanding relationships, which offer steady, lucrative work, incentivize auditors to prioritize their client's satisfaction above the ethical requirements of the profession. In the face of a deeply entrenched industry and highly complex subject matter, public interest demands that the auditing industry have a robust regulator, possessing both deep subject matter expertise and vigorous enforcement tools. As described more fully below, the Subcommittee has issued five recommendations promoting more accountability, transparency, and competition within the auditing industry to protect investors and ensure corporate transparency. These recommendations are intended to prevent the accumulation of undisclosed risks within companies, leaving the public uninformed about potential corporate failures that threaten the jobs of employees, the savings of investors, and the economy at large.

[42] *See infra* Finding IV(c).
[43] *See infra* Finding IV(c).
[44] *See infra* Finding IV(d).
[45] *See infra* Finding IV(d).
[46] *See infra* Finding IV(a).

BACKGROUND

I. 2023 Regional Bank Collapses

Silicon Valley Bank, Signature Bank, and First Republic Bank all maintained significant financial ties to the U.S. technology sector.[47] Each of these financial institutions specialized in catering to technology startups and their employees.[48] True to its name, by 2022, Silicon Valley Bank's customers included nearly half of U.S. venture capital-backed technology and life sciences companies.[49] In 2018, Signature Bank began marketing to cryptocurrency companies by creating specialized deposit accounts and an internal transfer network called Signet used by cryptocurrency-related clients to move funds within the bank.[50] By 2022, 27 percent of Signature Bank's deposits, or about $30 billion out of $109 billion, came from digital-asset clients.[51] Similarly, First Republic Bank had strategically forged relationships with growing technology companies and their employees.[52] First Republic Bank established services convenient for growing wealth in the tech industry and took measures to incentivize tech workers to use their banking and loan services.[53]

As the Board of Governors of the Federal Reserve ("Federal Reserve") raised interest rates in 2023, the technology industry was heavily impacted as investors increasingly sought more stable investments.[54] Banks that were particularly reliant on the technology industry experienced the effects of market tightening in ways that other financial institutions with broader, more diverse portfolios did not.[55]

On March 8, 2023, facing turbulence in the cryptocurrency markets and a historic rise in interest rates, Silvergate Bank, a California institution that had recently focused on digital

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[47] *See* Rachel Louise Ensign & David Benoit, *Signature Bank's Quirky Mix of Customers Fueled Its Rise and Hastened Its Fall*, Wall ST. J. (Mar. 16, 2023), https://www.wsj.com/articles/signature-banks-quirky-mix-of-customers-fueled-its-rise-and-hastened-its-fall-8bc10cd2.

[48] *Id.*

[49] *See SVB*, Q4 2022 Financial Highlights (Jan. 19, 2023), 8, https://s201.q4cdn.com/589201576/files/doc_financials/2022/q4/Q4_2022_IR_Presentation_vFINAL.pdf.

[50] *See* Rachel Louise Ensign & David Benoit, *supra* note 47.

[51] *Id.*

[52] Rachel Louise Ensign et al., *Why First Republic Bank Collapsed*, WALL ST. J. (May 1, 2023), https://www.wsj.com/articles/first-republic-bank-collapse-why-banking-crisis-61660d96.

[53] *Id.*

[54] Simon Moore, *Tech Stocks Feel The Pain As Fed Plans Rate Hikes In 2022,* FORBES (Jan. 5, 2022), https://www.forbes.com/sites/simonmoore/2022/01/05/tech-stocks-feel-the-pain-as-fed-plans-raise-hikes-in-2022/.

[55] *Id.*

assets and gone public in 2019, wound down its operations.[56] Depositors panicked, trying to predict which regional bank might collapse next so they could withdraw any uninsured deposits.[57] Because the Federal Deposit Insurance Corporation ("FDIC") only insures bank deposits up to $250,000, any businesses or individuals holding above that amount are vulnerable to significant losses if their bank fails.[58] Accordingly, uninsured deposits are considered highly volatile as depositors are more likely to withdraw them at the first sign of distress.[59]

After Silvergate collapsed, Silicon Valley Bank was particularly vulnerable, with 94 percent of their deposits uninsured.[60] Silicon Valley Bank, in particular, catered to venture-capital-backed companies in Northern California and had tripled in total deposits between 2019 and 2021 as the venture capital industry expanded.[61] On March 9, 2023, Silicon Valley Bank faced historic deposit flight of $42 billion, over 20 percent of its total deposits, in one eight-hour period.[62] State regulators came to believe the bank faced insurmountable odds and shut it down, placing it into FDIC receivership on Friday, March 10.[63]

That same day, Signature Bank in New York lost $18.6 billion in deposits, primarily during the last two hours of business.[64] Regulators worked through the weekend to rescue Signature Bank, but inaccurate and incomplete collateral information stymied their efforts, and,

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[56] *See* Press Release, Silvergate, *Silvergate Capital Corporation Announces Intent to Wind Down Operations and Voluntarily Liquidate Silvergate Bank* (Mar. 8, 2023), https://silvergate.com/uncategorized/silvergate-capital-corporation-announces-intent-to-wind-down-operations-and-voluntarily-liquidate-silvergate-bank/.

[57] *See* Hannah Lang & Anirban Chakroborti, *Crypto-focused bank Silvergate plans to wind down following blow from FTX*, REUTERS (Mar. 8, 2023), https://www.reuters.com/technology/crypto-focused-bank-silvergate-plans-wind-down-operations-2023-03-08/.

[58] *See* U.S. Fed. Deposit Ins. Corp., *Understanding Deposit Insurance*, https://www.fdic.gov/resources/deposit-insurance/understanding-deposit-insurance (last updated Apr. 1, 2024).

[59] *See* U.S. Fed. Deposit Ins. Corp., *Community Bank Liquidity Risk: Trends and Observations from Recent Examinations* (last updated Apr. 6, 2023), 10-11, https://www.fdic.gov/regulations/examinations/supervisory/insights/sisum17/sisum17-article1.pdf.

[60] Bd. Of Governors of the Fed. Rsrv. Sys., *supra* note 1, at 94.

[61] *Id*.

[62] *California Banking Regulator Says SVB Oversight Inadequate,* REUTERS (May 8, 2023), https://www.reuters.com/business/california-banking-regulator-says-svb-oversight-inadequate-2023-05-08/.

[63] *See* Ty Roush, *SVB Shut Down by California Regulator After Bank Stocks Crash Amid Turmoil*, FORBES (Mar. 10, 2023), https://www.forbes.com/sites/tylerroush/2023/03/10/svb-shut-down-by-california-regulator-after-bank-stocks-crash-amid-turmoil/.

[64] *See* N.Y. Dep't Fin. Services, New York State Department of Financial Services Internal Review of the Supervision and Closure of Signature Bank (Apr. 28, 2023), 5, https://www.dfs.ny.gov/system/files/documents/2023/04/nydfs_internal_review_rpt_signature_bank_20230428.pdf.

ultimately, the bank could not raise the needed capital.[65] Regulators placed Signature Bank into FDIC receivership on the night of Sunday, March 12, 2023, before the markets opened the next morning.[66] On March 13, First Republic Bank experienced $40 billion in deposit outflows.[67] The bank survived after receiving $30 billion in deposits from a consortium of banks, but continued to lose deposits over the following month and a half.[68] On April 24, First Republic Bank issued an earnings release for the first quarter of 2023, disclosing a loss of $100 billion in deposits over the first quarter of the year.[69] First Republic Bank's stock dropped 43 percent on April 28, having fallen a total of 97 percent since January 1, 2023.[70] On May 1, state regulators took possession of First Republic Bank and placed it in FDIC receivership.[71] FDIC officials accepted a bid from JPMorgan Chase & Co. to assume "substantially all assets of First Republic Bank" the same day.[72]

a. Silicon Valley Bank

Initially chartered in 1983, for four decades, Silicon Valley Bank served a central role in the Northern California venture capital industry.[73] However, as interest rates rose in 2022, investors moved money from risky sectors, like venture capital, to investment products that would benefit from higher interest rates like money market funds, which saw the largest

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[65] U.S. Fed. Deposit Ins. Corp. *supra* note 12, at 60.

[66] *See* U.S. Fed. Deposit Ins. Corp, *FDIC Establishes Signature Bridge Bank, N.A., as Successor to Signature Bank, New York, NY* (Mar. 12, 2023), https://www.fdic.gov/news/press-releases/2023/pr23018.html.

[67] Martin J. Gruenberg, Chairman, Fed. Deposit Ins. Corp., Testimony to the S. Comm. on Banking, Hous. and Urb. Affs., Oversight of Financial Regulators Financial Stability, Supervision, and Consumer Protection in the Wake of Recent Bank Failures (May 18, 2023), https://www.fdic.gov/news/speeches/2023/spmay1723.html.

[68] *See* David Gura, *First Republic becomes the latest bank to be rescued, this time by its rivals*, NPR (Mar. 16, 2023), https://www.npr.org/2023/03/16/1163958533/first-republic-bank-silicon-valley-bank-signature-bank-bank-run.

[69] Mehnaz Yasmin & Nupur Anand, *First Republic Bank deposits tumble more than $100 billion as it explores options*, REUTERS (Apr. 25, 2023), https://www.reuters.com/business/finance/first-republic-bank-deposits-falls-41-shares-slide-2023-04-24/.

[70] Gina Heeb & Candice Choi, *First Republic Stock Closes Down 43%, Then Keeps Dropping After Hours*, WALL ST. J. (Apr. 29, 2023), https://www.wsj.com/livecoverage/stock-market-today-dow-jones-04-28-2023/card/first-republic-stock-plunges-again-XBgbS95qogQvM1imd9QC.

[71] Scott Murdoch et al., *Regulators seize First Republic Bank, sell assets to JPMorgan*, REUTERS (May 1, 2023), https://www.reuters.com/business/finance/california-financial-regulator-takes-possession-first-republic-bank-2023-05-01/.

[72] U.S. Fed. Deposit Ins. Corp., *JPMorgan Chase Bank, National Association, Columbus, Ohio Assumes All the Deposits of First Republic Bank, San Francisco, California* (May 1, 2023), https://www.fdic.gov/news/press-releases/2023/pr23034.html.

[73] *See generally* Silicon Valley Bank, *Silicon Valley Bank Celebrates 20 Years of Dedication to Entrepreneurs* (Oct. 17, 2023), https://www.svb.com/news/company-news/silicon-valley-bank-celebrates-20-years-of-dedication-to-entrepreneurs/; SVB Corp., Annual Report (Form 10-K) (Feb. 24, 2023), Exhibit 21.1.

inflows on record in 2023.[74] From 2021 to 2022, startup funding around the world dropped 35 percent, from $681 billion to $445 billion.[75] As a result of Silicon Valley Bank's concentration in venture capital, an industry that is historically sensitive to interest rate increases, the bank's market capitalization fell from $44 billion in January 2022 at the beginning of the bank's 2022 audit period to $17 billion in the weeks before it collapsed in March 2023.[76] At the same time, customer deposits dwindled, and investors distanced themselves from the bank.[77]

Silicon Valley Bank had over $200 billion in assets leading up to its collapse, of which it had classified 46 percent as held-to-maturity ("HTM") securities, accentuating the market's negative outlook of the bank.[78]

Available for Sale ("AFS") vs. Held to Maturity ("HTM") Securities
Banks can classify assets, such as bonds and loans, on their balance sheet as available-for-sale ("AFS") or held-to-maturity ("HTM").[79] Assets are AFS by default, meaning they can be sold at any time but must be reported at their market value.[80] In comparison, HTM assets have restrictions on when they can be sold, but are reported at amortized cost (the price adjusted over time based upon an estimate of accruing interest and scheduled payments) until their maturity date, e.g., a ten-year bond is reported at amortized cost throughout the ten years.[81] Institutions must have both the "intent and ability" to hold an HTM asset until its maturity date in order to classify it as such.[82] While these securities are considered low risk, providing guaranteed returns if held until maturity, they reduce a company's liquidity because they cannot be easily sold to raise

[74] *See* Bd. Governors Fed. Rsrv. Sys., *Material Loss Review of Silicon Valley Bank* (2023), 15, https://oig.federalreserve.gov/reports/board-material-loss-review-silicon-valley-bank-sep2023.pdf; Dagmar Chiella, *U.S. Money Market Funds Reach $6.4 Trillion at End of 2023*, OFF. FIN. RSCH. (Mar. 26, 2024), https://www.financialresearch.gov/the-ofr-blog/2024/03/26/us-money-market-funds-at-end-of-2023/.

[75] *See* Gene Teare, *Global Funding Slide in 2022 Sets Stage for Another Tough Year*, CRUNCH BASE NEWS (Jan. 5, 2023), https://news.crunchbase.com/venture/global-vc-funding-slide-q4-2022/.

[76] *See id.*

[77] *See* Tabby Kinder et al., *Silicon Valley Bank profit squeeze in tech downturn attracts short sellers*, Financial Times (Feb. 22, 2023), https://www.ft.com/content/0387e331-61b4-4848-9e50-04775b4c3fa7.

[78] Bd. Governors Fed. Reserve Sys., *Material Loss Review of Silicon Valley Bank* (2023), 11-12, https://oig.federalreserve.gov/reports/board-material-loss-review-silicon-valley-bank-sep2023.pdf.

[79] *See* Tim Vipond, *Held to Maturity Securities*, Corp. Fin. Inst., https://corporatefinanceinstitute.com/resources/accounting/held-to-maturity-securities/ (last visited Sept. 9, 2025).

[80] *Id.*

[81] *Id.*

[82] *Id.*

cash.[83] HTM securities can also obscure financial difficulties.[84] The unrealized value of HTM assets can fluctuate as interest rate changes, which can make financial statements harder to understand, particularly for those less familiar with accounting.[85]

Example: If a company purchases bonds worth $100 and classifies them as AFS, they can sell them at any time, but they must report them at their market value at all times.[86] If, however, the same company classifies those bonds as HTM, it could still report the asset as valued at $100 on their balance sheet (minus amortization), even if its value declined to $75.[87] If the company sold one of the bonds before its stated maturity date, the rest of the unsold bonds would have to be reported at the market price of $75.[88] Thus, while an HTM classification avoids market value fluctuations on a company's balance sheet, it comes with the drawback that if part of an HTM classified asset is sold prematurely, the company must recognize previously obscured losses across its entire HTM portfolio, reducing the flexibility the classification initially appeared to provide.

Facing a precipitous decline in deposits on March 8, 2023, Silicon Valley Bank sold all of its AFS securities as part of its efforts to raise emergency capital.[89] This abrupt sale caused widespread panic among Silicon Valley Bank's customers and news of it quickly spread on social media.[90] Because the bank had sold its entire AFS portfolio on March 8, any further sale to raise capital would require disposing of its HTM assets, which would require the bank to include the amount by which their HTM assets had declined in value on its balance sheet.[91] In Silicon Valley Bank's case, such a sale at the time would have exposed a $15 billion discrepancy on the bank's balance sheet due to the decline in value of the bank's HTM portfolio caused by declining valuations in the face of interest rate increases.[92] On March 8,

[83] *Id*.

[84] *Id.*; *See* Michael J. Walker, *Accounting for Debt Securities in the Age of Silicon Valley Bank*, FED. RSRV. BANK BOS. (Oct. 5, 2023), 4, https://www.bostonfed.org/-/media/Documents/Workingpapers/PDF/2023/sra-note-2301.pdf.

[85] *See* John Hintze, *Held-to-Maturity Accounting Revisited*, GARP (July 7, 2023), https://www.garp.org/risk-intelligence/market/held-maturity-accounting-070723.

[86] *See* Michael J. Walker, *supra* note 84, at 5.

[87] *Id*.

[88] *Id*.

[89] *See* U. Wash. Sch. L., *The Silicon Valley Bank Collapse Explained* (Mar. 24, 2023), https://www.law.uw.edu/news-events/news/2023/svb-collapse.

[90] *Id*.

[91] *See* Michael J. Walker, *supra* note 84, at 5.

[92] *Id* at 5-6.

the day the bank sold its AFS portfolio, Moody's downgraded Silicon Valley Bank's credit rating from A1 ("subject to low credit risk") to A3, a moderately riskier designation.[93]

Panic spread among venture capital backed companies and their investors.[94] On March 9, 2023, depositors withdrew $42 billion in deposits from Silicon Valley Bank, amounting to over 20 percent of the bank's deposits by close of business that day.[95] An additional $100 billion was queued for withdrawal the next morning.[96] On March 10, Moody's further downgraded the bank from A3 to Caa1 ("subject to very high credit risk"), informally known as "junk bond" status.[97] Silicon Valley Bank was unable to fulfill withdrawal requests and was placed into FDIC receivership by the California Department of Financial Protection and Innovation on the afternoon of March 10.[98] In the following months, the FDIC sold most of Silicon Valley Bank's assets to First Citizens Bank and HSBC purchased Silicon Valley Bank's UK operations.[99] On April 28, 2023, the Federal Reserve released a report examining the failure of Silicon Valley Bank, finding the bank failed primarily because its "senior leadership failed to manage basic interest rate and liquidity risk."[100]

b. Signature Bank

Signature Bank was a New York-based full commercial bank founded in 2001, with total assets of $110.4 billion as of December 31, 2022.[101] At the time of its failure in March 2023, most of Signature Bank's commercial real estate loan portfolio was concentrated in New

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[93] Frank Van Gansbeke, *The Silicon Valley Bank Collapse and the Polycrisis*, FORBES (Mar. 12, 2023) https://www.forbes.com/sites/frankvangansbeke/2023/03/12/the-silicon-valley-bank-collapse-and-the-polycrisis/; Moody's, *Rating Scale and Definitions*, https://www.moodys.com/sites/products/productattachments/ap075378_1_1408_ki.pdf (last visited Sept. 11, 2025).

[94] Michael Roddan, *$100 Billion of Deposits Were Slated to Leave SVB the Day it Failed*, The INFORMATION, https://www.theinformation.com/briefings/100-billion-of-deposits-were-slated-to-leave-svb-the-day-it-failed (last visited Sept. 11, 2025).

[95] *Id*.

[96] *Id*.

[97] Collin Martin, *What Happens When a Corporate Bond Is Downgraded?*, CHARLES SCHWAB (Apr. 13, 2020), https://workplace.schwab.com/content/what-happens-if-corporate-bond-is-downgraded; *Moody's downgrades credit ratings on Silicon Valley Bank, SVB Financial*, REUTERS (Mar. 10, 2023), https://www.reuters.com/markets/us/moodys-downgrades-credit-ratings-silicon-valley-bank-svb-financial-2023-03-11/; Moody's, *supra* note 93.

[98] *See* Bd. Governors Fed. Rsrv. Sys., *Material Loss Review of Silicon Valley Bank* (2023), 2, https://oig.federalreserve.gov/reports/board-material-loss-review-silicon-valley-bank-sep2023.pdf.

[99] HSBC, *HSBC acquires Silicon Valley Bank UK Limited*, (Mar. 13, 2023), https://www.hsbc.com/news-and-views/news/media-releases/2023/hsbc-acquires-silicon-valley-bank-uk-limited.

[100] Bd. Governors Fed. Rsrv. Sys., *supra* note 1.

[101] *See* FED. DEPOSIT INS. CORP. OFF. OF THE INSPECTOR GENERAL, MATERIAL LOSS REVIEW OF SIGNATURE BANK OF NEW YORK (2023), https://www.fdicoig.gov/sites/default/files/reports/2023-10/EVAL-24-02.pdf, 1, https://www.fdicoig.gov/sites/default/files/reports/2023-10/EVAL-24-02.pdf.

York, with $24 billion of $34 billion (70 percent) estimated to be in the New York City area.[102] Prior to its collapse, Signature Bank expanded its business beyond New York and commercial real estate into serving companies in cryptocurrency and private equity-related businesses.[103] In 2019, Signature Bank unveiled Signet, a novel, blockchain-based, internal payment platform built on an Ethereum blockchain.[104] The new platform was closely aligned with Signature Bank's digital assets group and marketed towards its digital asset customers.[105] In 2020, Signature Bank expanded to Southern California, opening four new offices and hiring dozens of new employees.[106]

Signature Bank's business model involved holding an outsized proportion of uninsured commercial deposits compared to similarly sized banks.[107] This was due to its focus on serving business clients.[108] In the years before its collapse, Signature Bank's level of uninsured deposits ranged from 63 percent to 82 percent, a stark contrast to its peer institutions where median uninsured deposits ranged from 31 to 41 percent.[109] Signature disclosed in 2022: "Given our business model, our depositor base is more heavily weighted to larger uninsured deposits than many other banks."[110]

Shortly after the collapses of Silvergate Bank and Silicon Valley Bank on March 8 and March 10, 2023 respectively, panicked Signature Bank customers attempted to withdraw a large volume of deposits, placing Signature Bank at risk of collapse as well.[111] In the days before its eventual failure on March 12, 2023, Signature Bank was in frequent contact with state and federal banking agencies in an attempt to borrow cash by pledging collateral.[112] On Friday, March 10, Signature Bank sought to pledge securities to the Federal Reserve, but, according

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[102] *See What's Inside Signature Bank's NYC Commercial Real Estate Loan Portfolio?* MAVERICK (Mar. 24, 2023), 5-6, 33, https://insights.maverickrep.com/inside-signature-bank-nyc-cre-loan-portfolio/.

[103] *See id.*; U.S. Fed. Deposit Ins. Corp. *supra* note 12, at 2.

[104] *See* U.S. Fed. Deposit Ins. Corp., supra note 12, at 8; *Audit of Signet, Audit Report 2020-07*, Signature Bank (May 5, 2020), KPMG-SBNY-PSI-WP -0000038447 (on file with the Subcommittee).

[105] *See* Nate DiCamillo, *Signature Bank Goes Head-to-Head with Silvergate in Bitcoin-Backed Lending*, COINDESK (May. 9, 2023), https://www.coindesk.com/business/2021/04/21/signature-bank-goes-head-to-head-with-silvergate-in-bitcoin-backed-lending/.

[106] *See* Jon Prior, *Why Signature Bank is pressing ahead with West Coast expansion*, AMERICAN BANKER (July 8, 2020), https://www.americanbanker.com/news/why-signature-bank-is-pressing-ahead-with-west-coast-expansion.

[107] *See* U.S. Fed. Deposit Ins. Corp., *supra* note 12, at 10.

[108] *See id. at* 6-7.

[109] *See id.* at 10-11.

[110] Signature Bank, Annual Report (Form 10-K) (Dec. 31, 2022), 52-53.

[111] *See* Madeleine Ngo, *A Timeline of How the Banking Crisis Has Unfolded*, N.Y. TIMES (May 1, 2023), https://www.nytimes.com/2023/05/01/business/banking-crisis-failure-timeline.html; Hugh Son, *Why regulators seized Signature Bank in third-biggest bank failure in U.S. history*, CNBC (Mar. 13, 2023), https://www.cnbc.com/2023/03/13/signature-bank-third-biggest-bank-failure-in-us-history.html.

[112] PSI Interview with U.S. Fed. Rsrv. Bd. & Fed. Rsrv. Bank N.Y (Feb. 9, 2024).

to the agency, the bank "provided conflicting information on the location of the collateral."[113] After some delay, this collateral was pledged late Friday night and the bank received some liquidity. On Saturday, March 11, Signature Bank proposed pledging loans in an attempt to obtain more liquidity.[114] The bank was ultimately unsuccessful.[115] According to the Federal Reserve: " [Signature Bank] could not quickly provide sufficient and accurate documentation of its proposed collateral assets."[116] According to the Federal Reserve: "When [Signature Bank] sent information, some loan files were not clearly labeled or consistent with our collateral categories."[117] Signature Bank's inadequate collateral information meant that by Sunday, March 12, the bank was closed before the Federal Reserve could address the question of valuation of potential collateral against which the bank could borrow liquid funds.[118] According to the regulator, Signature Bank's information was "disorganized, incorrect, or incomplete," which significantly hindered any potential rescue efforts.[119]

On March 12, 2023, Signature Bank was closed by the New York Department of Financial Services, which appointed the FDIC as receiver.[120] On April 28, 2023, the FDIC released a review of Signature Bank's failure.[121] According to the FDIC, the bank failed because "poor governance and inadequate risk management practices put the bank in a position where it could not effectively manage its liquidity in a time of stress."[122] Specifically, the board and management pursued rapid growth without proper risk management practices.[123] Additionally, according to the FDIC, Signature Bank's association with and reliance on deposits from businesses within or connected to the cryptocurrency industry made it vulnerable to market turmoil following the implosion of FTX Trading Ltd. in November 11, 2022.[124]

c. First Republic Bank

First Republic Bank was founded in 1985 as a California-chartered commercial bank and trust company headquartered in San Francisco.[125] The bank's business was focused on offering banking services to high net worth individuals, including residential real estate

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[113] *Id*.
[114] *Id*.
[115] *Id*.
[116] *Id*.
[117] *Id*.
[118] *Id*.
[119] *Id*.
[120] *See* U.S. Fed. Deposit Ins. Corp., *supra* note 12.
[121] *Id*.
[122] *Id*.
[123] *See id*. at 2-3, 10.
[124] *See id.* at 13-16.
[125] First Republic Bank, Annual Report (Form 10-K) (Feb. 28, 2023), 9.

lending, private banking, business banking, wealth management, trust, and brokerage services.[126] Their focus on wealthy clientele with large deposit balances had the effect of attracting a disproportionate amount of uninsured deposits.[127] Furthermore, the bank's location in Northern California meant that it serviced many individuals in the tech industry.[128] In 2014, 91 percent of the bank's mortgage approvals went to high income customers versus 45 percent for peer institutions.[129] At the time of its failure, First Republic Bank had over $229.1 billion in assets.[130] Over half of these deposits were uninsured, which was higher than the median uninsured deposits of its peer banks in the same time frame (31 to 41 percent).[131]

After the sudden failures of Silvergate Bank on March 8, 2023, Silicon Valley Bank on March 10, and Signature Bank on March 12, First Republic Bank experienced a lack of market and depositor confidence.[132] Negative attention from short sellers contributed to a 62 percent decline of the bank's stock price on March 13.[133] Depositors withdrew nearly $40 billion that day.[134] The bank attempted to raise capital by working with outside parties in an effort to stem the tide of outflows.[135] On March 16, First Republic Bank obtained $30 billion in uninsured deposits from several U.S. banks, including Bank of America, Citigroup, JPMorgan Chase, and other American banks to assist with its liquidity problems.[136]

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[126] U.S. Fed. Deposit Ins. Corp., *supra* note 9, at 6.

[127] *Id*. at 15.

[128] *Id*. at 19-20.

[129] *See* Rachel Louise Ensign et al., *First Republic: Is It Wrong to Build a Bank for Wealthy Clients Only?*, WALL ST. J. (Aug. 16, 2016), https://www.wsj.com/articles/first-republic-is-it-wrong-to-build-a-bank-for-wealthy-clients-only-1471388308.

[130] *See* Siladitya Ray, *First Republic Taken Over By JP Morgan After Regulators Shut It Down*, FORBES (May 1, 2023), https://www.forbes.com/sites/siladityaray/2023/05/01/jpmorgan-chase-agrees-to-acquire-first-republic-banks-deposits-after-fdic-intervenes/; U.S. Fed. Deposit Ins. Corp., *supra* note 9, at 7.

[131] U.S. Fed. Deposit Ins. Corp., *supra* note 9, at 10-11.

[132] *Id*. at 7.

[133] *See id*.

[134] Martin J. Gruenberg, Chairman, Fed. Deposit Ins. Corp., Testimony to the S. Committee on Banking, Housing and Urban Affairs: Oversight of Financial Regulators: Financial Stability, Supervision, and Consumer Protection in the Wake of Recent Bank Failures (May 18, 2023), https://www.fdic.gov/news/speeches/2023/spmay1723.html.

[135] *See* David French & Lananh Nguyen, *Exclusive: First Republic considers downsizing if capital raise fails - sources*, REUTERS (Mar. 21, 2023), https://www.reuters.com/business/finance/first-republic-considers-downsizing-if-capital-raise-fails-sources-2023-03-21/.

[136] *See Bank of America, Citigroup, JPMorgan Chase, Wells Fargo, Goldman Sachs, Morgan Stanley, BNY Mellon, PNC Bank, State Street, Truist and U.S. Bank to Make Uninsured Deposits Totaling $30 Billion Into First Republic Bank*, BUSINESSWIRE (Mar. 16, 2023), https://www.businesswire.com/news/home/20230316005695/en/Bank-of-America-Citigroup-JPMorgan-Chase-Wells-Fargo-Goldman-Sachs-Morgan-Stanley-BNY-Mellon-PNC-Bank-State-Street-Truist-and-U.S.-Bank-to-Make-Uninsured-Deposits-Totaling-30-Billion-Into-First-Republic-Bank.

Ultimately, this inflow failed to stem the billions of dollars in withdrawals from First Republic Bank in the following months.[137] First Republic Bank published its earnings release for the first quarter of 2023 on April 24, 2023, revealing the bank's continuing difficulties.[138] In response, depositors withdrew $10 billion in deposits from April 26 to April 28.[139] On May 1, the California Department of Financial Protection and Innovation decided First Republic Bank was no longer able to operate safely and soundly and placed the bank in FDIC receivership.[140] First Republic Bank's deposits and assets were subsequently sold to JPMorgan Chase under a purchase and assumption agreement.[141]

On September 8, 2023, the FDIC issued a report on the collapse of First Republic Bank.[142] The FDIC's report noted that First Republic Bank had historically been a "respected, well-run bank" but that important parts of its business model and management strategies, such as rapid growth and overreliance on uninsured deposits, made it vulnerable to rising interest rates.[143]

II. Auditors and Their Regulatory and Ethical Obligations

The Securities and Exchange Commission ("SEC") requires publicly traded companies to use independent third-party auditors, like KPMG, to provide reasonable assurance that the investing public can rely upon the company's financial statements.[144] As noted by the Supreme Court in *U.S. v. Arthur Young*, the filing of audited financial statements serves to "obviate the fear of loss from reliance on inaccurate information, thereby encouraging public investment in the Nation's industries."[145] The Public Company Accounting Oversight Board ("PCAOB") tasks auditors with assuring investors that a company's financial statements are presented fairly, and free of material misstatements, whether due to error or fraud.[146] While auditors consider all risks relevant to a company, their primary responsibility is to "express

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137 U.S. Fed. Deposit Ins. Corp., *supra* note 9, at 20-21.

138 *Id.*

139 *Id.*

140 *Id.*

141 *See* U.S. Fed. Deposit Ins. Corp., *JPMorgan Chase Bank, National Association, Columbus, Ohio Assumes All the Deposits of First Republic Bank*, *San Francisco, California* (May 1, 2023), https://www.fdic.gov/news/press-releases/2023/pr23034.html.

142 U.S. Fed. Deposit Ins. Corp., *supra* note 9.

143 *Id.* at 2, 7-18.

144 *See* Sec. Exch. Comm'n, *Investor Publications: All About Auditors: What Investors Need to Know* (June 23, 2022), https://www.sec.gov/about/reports-publications/investorpubsaboutauditorshtm; Ctr. for Audit Quality, *In-Depth Guide to Public Company Auditing: The Financial Statement Audit* (May 2011), https://www.thecaq.org/wp-content/uploads/2019/03/in-depth_guidetopubliccompanyauditing.pdf.

145 United States v. Arthur Young & Co., 465 U.S. 805,819 n.15 (1984).

146 *See* Corp. Fin. Inst., *Why auditors are important*, https://corporatefinanceinstitute.com/resources/management/auditor/ (last visited Sept. 11, 2025).

an opinion on the effectiveness of internal controls over financial reporting."[147] The client's operations and governance may be relevant to an audit in some instances, but they are ultimately the responsibility of the company's management.[148] In fact, SEC regulations prohibit auditors from making operational decisions for a client.[149]

Auditors benefit the companies they audit by finding errors in their accounting and reporting, potentially detecting fraud, and objectively advising organization management, boards of directors, and shareholders.[150] Independent auditors also help reduce investor risk, increase confidence in financial markets, and demonstrate that a company has competent management.[151] Federal regulators implement industry standards and guidance to maintain the wide benefits auditors provide markets.[152]

In the United States, while banks are regulated by banking regulators like the FDIC or Federal Reserve, if they are publicly traded companies, they are also regulated by the SEC.[153] In regards to the audits of these companies, the SEC has delegated authority to private organizations to issue standards and guidance in its oversight of auditors.[154] Specifically, the SEC empowers the Financial Accounting Standards Board ("FASB") to maintain and standardize Generally Accepted Accounting Principles ("GAAP") and the PCAOB to do the same for Generally Accepted Auditing Standards ("GAAS").[155] The FASB, an independent, nonprofit organization, is the designated authority for standard setting of public accounting and establishes the rules for companies that follow GAAP.[156] The PCAOB registers public accounting firms, establishes audit standards, inspects audit firms, and investigates and disciplines public accounting firms for violating rules, laws, or professional standards.[157]

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[147] Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, Appendix A, 6 (July 25, 2025) (on file with the Subcommittee).

[148] Board of Governors of the Federal Reserve System, "Consolidated Supervision Framework for Large Financial Institutions," SR letter 12-17/CA letter 12-14 (Dec. 17, 2012), https://www.federalreserve.gov/supervisionreg/srletters/sr1217.htm.

[149] SEC Rule 2-01(c)(4) of Regulation S-X, 17 C.F.R. 210.2-01 (c)(4); *see also* Section 10A(g) of the Securities Exchange Act of 1934, 15 U.S.C. § 78j-1(g).

[150] *See* Corp. Fin. Inst., *supra* note 146.

[151] *Id*.

[152] Pub. Co. Acct. Oversight Bd., *About*, https://pcaobus.org/about/ (last visited Sept. 11, 2025).

[153] *See* RAJ GNANARAJAH, CONG. RSCH. SERV., R44894, ACCOUNTING AND AUDITING REGULATORY STRUCTURE: U.S. AND INTERNATIONAL (2017), https://crsreports.congress.gov/product/pdf/R/R44894.

[154] *Id*.

[155] *Id*.

[156] *See* Fin. Acct. Standards Bd., *About the FASB*, https://fasb.org/about-us/about-the-fasb (last visited Sept. 11, 2025).

[157] *See* Pub. Co. Acct. Oversight Bd., *supra* note 152.

At the core of an auditor's responsibilities lies the obligation to thoroughly evaluate a company's financial statements for the risk of material misstatements.[158] Accordingly, auditors must apply "professional skepticism" throughout their work.[159] The PCAOB states that:

> Professional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. The auditor uses the knowledge, skill, and ability called for by the profession of public accounting to diligently perform, in good faith and with integrity, the gathering and objective evaluation of evidence.[160]

Auditor independence constitutes another pillar of professional auditing standards and conduct.[161] The PCAOB requires that auditors maintain an unbiased, impartial, and fair attitude towards their client in all matters.[162] Auditor independence is an essential part of the profession, allowing auditors to fulfill their role while protecting the integrity of U.S. markets.[163] Thus, PCAOB guidance imposes a number of constraints on auditors, such as restrictions on the consulting work auditors are allowed to perform for a client and prohibitions on certain financial relationships between auditors and their clients to prevent them from becoming too close, risking the compromise of their objectivity and impartiality.[164]

III. Conducting an Audit

Auditors generally complete and deliver their opinion on a company's financial reporting early in the year, following the audit period, for inclusion in the company's annual financial

[158] *See Verifiability in Accounting: Principles, Practices, and Technology*, ACCOUNTING INSIGHTS (June 4, 2024), https://accountinginsights.org/verifiability-in-accounting-principles-practices-and-technology/.

[159] Pub. Co. Acct. Oversight Bd., *AU Section 230: Due Professional Care in the Performance of Work* (Nov. 1972), https://pcaobus.org/oversight/standards/archived-standards/pre-reorganized-auditing-standards-interpretations/details/AU230.

[160] *Id.* at 230.07.

[161] Pub. Co. Acct. Oversight Bd., *AU Section 220: Independence*, (Nov. 1972), https://pcaobus.org/oversight/standards/auditing-standards/details/AU220.

[162] *Id*.

[163] *See* Pub. Co. Acct. Oversight Bd., *Rule 3520: Auditor Independence*, https://pcaobus.org/about/rules-rulemaking/rules/section_3#rule3520; Paul Munter, *The Critical Importance of the General Standard of Auditor Independence and an Ethical Culture for the Accounting Profession*, SEC. EXCH. COMM'N (June 8, 2022), https://www.sec.gov/newsroom/speeches-statements/munter-20220608.

[164] Pub. Co. Acct. Oversight Bd., *ET Section 101: Independence* https://pcaobus.org/oversight/standards/ethics-independence-rules/details/et-section-101---independence--integrity--and-objectivity---.01; Sec. Exch. Comm'n, *Audit Committees and Auditor Independence*, https://www.sec.gov/info/accountants/audit042707.pdf.

statement.[165] While the work auditors conduct often reaches a peak of activity in the weeks prior to issuing their audit opinion, they conduct fieldwork year-round.[166] Auditors establish an audit plan that includes a planned risk assessment and response to any potential risk of material misstatement.[167] As auditors conduct an audit within the parameters, goals, nature, and timing set within the audit's scope, they produce workpapers that "facilitate accomplishing the engagement's objectives" by documenting audit steps and the auditor's conclusions and reasoning.[168] The PCAOB provides guidance to auditors to "prepare audit documentation in connection with each engagement conducted pursuant to the standards of the PCAOB."[169]

PCAOB rules provide several different ways that auditors must raise concerns to the investing public at the conclusion of a year-end audit, such as issuing an adverse audit opinion or disclosing a "going concern" risk.[170] In practice, existing PCAOB guidance offers auditors discretion in using professional judgment when determining whether matters relating to the business or financial statement deviate from GAAP.[171]

PCAOB standards require auditors to include the details of how they assess topics that involve "challenging, subjective, or complex auditor judgment" in their audit opinion.[172] This disclosure is known as a critical audit matter ("CAM") and serves to inform the public about difficulties encountered in the audit process.[173] Critical audit matters span a variety of

[165] *See* U. Tex. Austin Off. Internal Audits, *Audit Process: Planning, Fieldwork, Reporting, Follow-up*, https://audit.utexas.edu/audit-process (last visited Sept. 12, 2025); PSI Interview with Mike Keehlwetter, Audit Partner, KPMG (Jan. 9, 2024) at 35.

[166] *See* U. Tex. Austin, *Audit Process*, *supra* note 165.

[167] *See* Pub. Co. Acct. Oversight Bd., *AS 2101: Audit Planning*, https://pcaobus.org/oversight/standards/auditing-standards/details/as-2101-audit-planning-2022 (last visited Sept. 12, 2025).

[168] Inst. of Internal Auditors, *Global Knowledge Brief: Effective workpapers* (2018), 2, https://www.theiia.org/globalassets/site/content/articles/global-knowledge-brief/2018/may/effective-work-papers_update.pdf.

[169] Pub. Co. Acct. Oversight Bd., *AS 1215.04: Audit Documentation Requirement*, https://pcaobus.org/oversight/standards/auditing-standards/details/AS1215 (last visited Sept. 12, 2025).

[170] Pub. Co. Acct. Oversight Bd., *Implementation of Critical Audit Matters: The Basics*, 5 (Mar. 18, 2019), https://pcaobus.org/Standards/Documents/Implementation-of-Critical-Audit-Matters-The-Basics.pdf.

[171] *See* Pub. Co. Acct. Oversight Bd., *AS 3105: Departures from Unqualified Opinions and Other Reporting Circumstances*, https://pcaobus.org/oversight/standards/auditing-standards/details/AS3105 (last visited Sept. 12, 2025).

[172] Pub. Co. Acct. Oversight Bd., *supra* note 170.

[173] *Id*.

potential topics, but often highlight auditor challenges with valuation of expected income or liabilities, income taxes, acquisitions, and inventory, among other subjects.[174]

Critical Audit Matters
Critical audit matters are disclosures in an audit opinion that indicate areas of the audit that are important to the company's financial statements and require the auditor to use "especially challenging, subjective, or complex auditor judgment."[175] The need for including a critical audit matter in an auditor's opinion arises when the topic of the critical audit matter involves significant risk, significant unusual transactions, or the need for special skill and expertise to evaluate audited information.[176] Despite their intention to highlight crucial areas of potential risk, critical audit matters have been criticized for providing insufficient information to consumers to determine the significance of any concerns with the audit or how serious a given concern may be, leading to what some refer to as "pseudo-transparency."[177]

Another type of disclosure that PCAOB rules require auditors to include in certain circumstances relates to the auditor's assessment of whether an entity will likely be able to continue operations in the future.[178] If the auditor believes that a company will likely cease to be viable, the auditor must disclose as much in their audit opinion.[179]

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[174] Maria L. Murphy, *Critical audit matters: What firms are reporting*, J. OF ACCOUNTANCY (Oct. 4, 2019), https://www.journalofaccountancy.com/news/2019/oct/cpa-firm-reporting-critical-audit-matters-201921907/.

[175] Pub. Co. Acct. Oversight Bd., *supra* note 170.

[176] *Id*.

[177] Matthew Ege et al., *When Critical Audit Matters (CAMs) are Informative: Evidence from Artificial Intelligence (AI)-benchmarking*, BRETTONWOODS SKI CONFERENCE (Feb. 2025), 2, https://www.brettonwoodsskiconference.com/uploads/b/f9bfc8b0-0251-11ed-a646-3dea17112d2f/When%20Critical%20Audit%20Matters%20are%20Informative.pdf.

[178] *See* Pub. Co. Acct. Oversight Bd., *AS 2415: Consideration of an Entity's Ability to Continue as a Going Concern*, https://pcaobus.org/oversight/standards/auditing-standards/details/AS2415 (last visited Sept. 12, 2025).

[179] *See id*.

Going Concern Disclosure
As part of closing out a company's year-end audit, auditors must evaluate that entity's ability to continue as a going concern for at least one year into the future.[180] While PCAOB standards do not prescribe a numerical threshold against which companies must be assessed, many auditors interpret the rules to mean that a company will not be able to continue as a going concern if it is probable that the entity will be unable to meet its obligations as they come due. When that threshold is met, PCAOB standards require the disclosure of that finding in the financial statements and may require an explanatory paragraph in the audit opinion.[181] Throughout the audit, auditors must raise any issues that present substantial doubt about an entity's ability to continue operations and review any operation and management plans that could potentially mitigate such a risk.[182] PCAOB standards stipulate that the absence of a going concern disclosure in an audit opinion should not be viewed as an assurance by the auditor of an entity's ability to continue as a going concern.[183]

Auditors may issue different types of opinions depending on the issues that arise over the course of that audit. These range from an unqualified opinion which indicates that all financial statements were found to be in accordance with applicable reporting requirements, to a qualified opinion, which indicates concerns with the audit. When auditors discover disparities in their client's financial reporting they are unable to resolve by the end of the audit, or the auditor is unable to receive all information necessary to complete their audit, they may need to issue other forms of opinions, such as adverse or disclaimer opinions.[184]

[180] PCAOB standards require auditors to assess an entity's ability to continue as a going concern for a "reasonable period of time," not to exceed one year beyond the date of the financial statement. *Id*.

[181] *See id*; Anthony Mosco & Mark Crowley, *A Summary of Key Provisions of FASB's ASU on Going Concern*, WALL ST. J., https://deloitte.wsj.com/riskandcompliance/fasb-issues-asu-on-going-concern-1411099313 (last visited Sept. 12, 2025).

[182] *See* Pub. Co. Acct. Oversight Bd., *supra* note 178.

[183] *See id*.

[184] *See* Pub. Co. Acct. Oversight Bd., *AS 3105: Departures from Unqualified Opinions and Other Reporting Circumstances*, https://pcaobus.org/oversight/standards/auditing-standards/details/AS3105 (last visited Sept. 12, 2025).

Types of Opinions an Auditor can Issue	
Unqualified Opinion	An auditor will provide an unqualified opinion "when the auditor conducted an audit in accordance with the standards of the [PCAOB] and concludes that the financial statements, taken as a whole, are presented fairly, in all material respects, in conformity with the applicable financial reporting framework."[185]
Qualified Opinion	A qualified opinion indicates that the audit discovered matters of concern that deviate from GAAP, and are material to the financial statement, but do not rise to the level of an adverse opinion.[186]
Adverse Opinion	An adverse opinion indicates that a company's accounting does not fairly display the financial position of the company or that the company's operations and cash flow stray from GAAP.[187] In the event that an auditor is unable to form or has no opinion on the fairness of the financial statement and its adherence to GAAP, the auditor may issue a disclaimer of opinion on the audit report.[188] ***Note:*** Auditors must also issue a qualified or adverse opinion if they discover acts in violation of laws or policies. The PCAOB's guidance on Non-Compliance with Laws and Regulations ("NOCLAR") requires auditors to report instances in which a company acts contrary to laws or regulations.[189]
Disclaimer Opinion	A disclaimer of opinion, as the PCAOB explains, is "appropriate when the auditor has not performed an audit sufficient in scope to enable him or her to form an opinion on the financial statements."[190] If an auditor believes other information or subject matter should be included in making this determination, other than the narrow scope of the audit, the auditor is guided to include such information in their report.[191]

[185] Pub. Co. Acct. Oversight Bd., *AS 3101: The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*, https://pcaobus.org/oversight/standards/auditing-standards/details/AS3101 (last visited Sept. 15, 2025).

[186] *See id.* at 184.

[187] *See id*.

[188] *See id*.

[189] Pub. Co. Acct. Oversight Bd., *AS 2405.10: Audit Procedures in Response to Possible Illegal Acts*, https://pcaobus.org/oversight/standards/auditing-standards/details/AS2405 (last visited Sept. 12, 2025).

[190] Pub. Co. Acct. Oversight Bd., *supra* note 185.

[191] *See id*.

Beyond year-end audits, auditors like KPMG can produce other work products that independently verify a company's financial statements to the public.[192] For instance, SEC regulations require underwriters to investigate and verify statements of material fact related to the issuance of securities.[193] Thus, underwriters commonly request an auditor, such as KPMG, to draft a "comfort letter" as part of the underwriter's due diligence during the production of a registration statement, which demonstrates that the underwriter executed a reasonable investigation.[194] According to PCAOB guidance, comfort letters are required to assure the independence of accountants; to verify that audited financial statement and financial schedules included in the registration statement comply with federal rules and regulations, and to highlight "changes in capital stock, increases in long-term debt, and decreases in other specified financial statement items."[195] Under PCAOB rules, auditors may also prepare tax returns for companies and perform other non-audit services such as tax provision assistance, due diligence, certain advisory work, and agreed-upon procedures, so long as they do not impair the auditor's independence.[196]

IV. KPMG and the Big Four

KPMG is one of the largest auditing companies in the world, providing audit, tax, and advisory services in 142 countries, with more than 275,000 partners and employees.[197] While KPMG's audit, tax, and advisory divisions have different focuses, they are integrated into a single organization and collaborate with one another.[198] KPMG governance is facilitated by KPMG International, which coordinates the global KPMG brand, audit quality, best practices, and general firm bureaucracy.[199] KPMG audited Signature Bank since it was founded in 2001 and

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[192] *See* Cornell L. Sch. Legal Info. Inst., *Comfort letter*, https://www.law.cornell.edu/wex/comfort_letter (last visited Sept. 10, 2025).

[193] 15 U.S.C. § 77(k) (1998).

[194] Cornell L. Sch. Legal Info. Inst., *supra* note 192.

[195] *See* Pub. Co. Acct. Oversight Bd., *AS 6101: Letters for Underwriters and Certain Other Requesting Parties*, https://pcaobus.org/oversight/standards/auditing-standards/details/AS6101 (last visited Sept. 12, 2025).

[196] Pub. Co. Accounting Oversight Bd., Rule 3524: Audit Committee Pre-Approval of Certain Tax Services (as amended through Mar. 31, 2024), https://pcaobus.org/about/rules-rulemaking/rules/section_3.

[197] *See* KPMG, *About KPMG*, https://kpmg.com/xx/en/about.html (last visited Sept. 12, 2025).

[198] *See generally* KPMG, *KPMG LLP and Microsoft Establish Industry-Leading Initiative to Scale Generative AI Across Audit, Tax and Advisory,* (May 11, 2023), https://kpmg.com/us/en/media/news/kpmg-microsoft-genai-2023.html; KPMG, *Benefit from full-service capabilities*, https://kpmg.com/us/en/capabilities-services.html (last visited Sept. 12, 2025).

[199] *See* KPMG, *KPMG International structure and governance*, https://kpmg.com/xx/en/about/governance.html (last visited Sept. 12, 2025).

Silicon Valley Bank since 1994.[200] KPMG had also audited First Republic Bank since 1989, except for a three year span from 2007 to 2010.[201]

KPMG, Deloitte LLP, Ernst and Young Americas LLC ("EY"), and PricewaterhouseCoopers LLP ("PwC") are known as the "Big Four" auditing firms because together, they audit approximately 90 percent of all publicly traded companies in the United States and control 99.7 percent of the market share for audits of companies in the S&P 500 index.[202] KPMG alone audited 96 companies in the Fortune 500 as of September 2024.[203] This market concentration has increased over time. By the 1980s, accounting was dominated by the "Big Eight," until 1987, when KMG Main Hurdman merged with Peat, Marwick, Mitchell & Co. to form KPMG.[204] Accounting firms continued to merge, and following the collapse of Arthur Anderson in 2002, only the Big Four remained.[205]

In the last two decades, the total auditing revenue from the Big Four has grown from $11 billion in 2000 to $21 billion in 2022.[206] As the Big Four firms have expanded, smaller firms have faced barriers to earning the business of lucrative clients, with some large public companies indicating that only large firms, like the Big Four, offer the "industry expertise and technical capability" necessary for auditing them.[207] Because the auditing market is so concentrated, experts in government and academia have expressed concern over a failure

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[200] *See Signature Bank General Information*, PITCH BOOK, https://pitchbook.com/profiles/advisor/51425-47 (last visited Sep. 12, 2025); SVB Financial Group, Annual Report (Form 10-K) (Feb. 24, 2023), 95; Signature Bank, Annual Report (Form 10-K), 120, (Mar. 1, 2023).

[201] *See* Chris Hughes, *Look Who Fell into the First Republic Rut*, BLOOMBERG (May 8, 2023), https://www.bloomberg.com/opinion/articles/2023-05-08/first-republic-its-board-members-and-kpmg-hung-around-each-other-for-too-long.

[202] R. Mithu Dey & Lesia Quamina, *surveying a Shifting Landscape: The Big Four and the Rising Tide of Advisory Services,* THE CPA JOURNAL (July 2024), https://www.cpajournal.com/2024/07/24/surveying-a-shifting-landscape; *The Big Four Has a 99.7% Market Share on S&P 500 Audits*, VORONOI (Mar. 29, 2024), https://www.voronoiapp.com/business/The-Big-Four-Has-a-997-Market-Share-on-SP-500-Audits--926.

[203] *Big 4 Audit Clients,* MANAGEMENT CONSULTED (last updated Sept. 19, 2024), https://managementconsulted.com/big-4-audit-clients/.

[204] *The past, present and future of consolidation in public accounting*, VSCPA (Oct. 5, 2021), http://vscpa.com/news/2627845f-768c-457a-a005-f8e50839c001:the-past-present-and-future-of-consolidation-in-public-accounting.

[205] *Id*.

[206] R. Mithu Dey & Lesia Quamina, *Surveying a Shifting Landscape: The Big Four and the Rising Tide of Advisory Services,* THE CPA JOURNAL (July 2024), https://www.cpajournal.com/2024/07/24/surveying-a-shifting-landscape.

[207] Steven B. Harris, Pub. Co. Acct. Oversight Bd. Member, *Audit Industry Concentration and Potential Implications*, Address before the 2017 International Institute on Audit Regulation (Dec. 7, 2017), https://pcaobus.org/news-events/speeches/speech-detail/audit-industry-concentration-and-potential-implications_674; U.S. GOV'T ACCOUNTABILITY OFF., GAO-08-163, Audits of Public Companies: Continued Concentration in Audit Market for Large Public Companies Does Not Call for Immediate Action (Jan. 2008), www.gao.gov/assets/gao-08-163.pdf.

of one of the Big Four firms, which could exacerbate the concentration in the industry, leaving behind the "Big Three."[208] These concerns could potentially give the Big Four formidable influence over the SEC and the PCAOB.[209] In other words, regulators may be hesitant to push back against these auditing giants, fostering an environment where the firms feel less inhibited by ethical and professional restraint, confident they are "too big to fail."[210]

V. The Subcommittee's Investigation

On May 3, 2023, the Permanent Subcommittee on Investigations initiated an inquiry into KPMG related to its audits of Silicon Valley Bank, Signature Bank, and First Republic Bank.[211] The Subcommittee thereafter reviewed approximately 115,000 documents from KPMG representing approximately 400,000 pages, including workpapers for the 2022 audits for Silicon Valley Bank, Signature Bank, First Republic Bank and their U.S. subsidiaries, as well as emails and instant message communications for KPMG auditors between January 1, 2022, and May 1, 2023. PSI also reviewed approximately 7,000 documents from the FDIC and the Federal Reserve related to KPMG's audits of the three banks.[212] Documents obtained by the Subcommittee from the FDIC and the Federal Reserve included meeting notes and email correspondence between KPMG and the regulators for Silicon Valley Bank, Signature Bank, and First Republic Bank. PSI also obtained meeting minutes for each bank's board of directors. The Subcommittee conducted transcribed interviews with ten KPMG auditors. These included interviews with the KPMG lead audit partners, lead audit managers, and senior audit managers for Silicon Valley Bank, Signature Bank, and First Republic Bank that contributed to and oversaw audits of each bank. Additionally, the Subcommittee received briefings from the SEC, the PCAOB, the Federal Reserve, the Federal Reserve Bank of New York, and the FDIC.

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[208] Steven B. Harris, *supra* note 207; *Audit Sector May Be 'Too Big to Fail'*, THE INVESTMENT ASSOCIATION (Oct. 30, 2018), https://www.theia.org/news/press-releases/audit-sector-may-be-too-big-fail-investment-association.

[209] Steven B. Harris, *supra* note 207; *Audit Sector May Be 'Too Big to Fail'*, *supra* note 208; U.S. GOV'T ACCOUNTABILITY OFF., *supra* note 207.

[210] Steven B. Harris, *supra* note 207; U.S. GOV'T ACCOUNTABILITY OFF., *supra* note 207.

[211] *See* Letter from the Hon. Richard Blumenthal, Chairman, S. Permanent Subcomm. on Investigations, and the Hon. Ron Johnson, Ranking Member, Permanent Subcomm. on Investigations to Paul Knopp, CEO, KPMG LLP (May 3, 2024), https://www.hsgac.senate.gov/wp-content/uploads/2023-05-03-Blumenthal-and-Johnson-Request-to-KPMG-1.pdf (last visited Sept. 12, 2025).

[212] Letter from the Hon. Richard Blumenthal, Chairman, S. Permanent Subcomm. on Investigations, and the Hon. Ron Johnson, Ranking Member, Permanent Subcomm. on Investigations to Jerome Powell, Chairman, Bd. of Governors of the Fed. Reserve Sys., and Mary Daly, President & CEO, Fed. Reserve Bank of San Francisco (June 16, 2023); Letter from the Hon. Richard Blumenthal, Chairman, S. Permanent Subcomm. on Investigations, and the Hon. Ron Johnson, Ranking Member, Permanent Subcomm. on Investigations to Martin J. Gruenberg, Chairman, Fed. Deposit Ins. Corp. (July 12, 2023).

Finding I: Silicon Valley Bank

I. KPMG's 2022 Audit of Silicon Valley Bank Raises Concerns Regarding Whether KPMG's Judgment and Objectivity Were Compromised by the Firm's Economic Interests

a. KPMG's Audit Plan, as Presented to Silicon Valley Bank's Board of Directors in May 2022, Did Not Include Rising Interest Rates as a Risk Factor Regarding the Bank's Investment Portfolio or Otherwise

KPMG's work on Silicon Valley Bank's 2022 audit began shortly after the bank issued its 2021 financial statement.[213] KPMG met with Silicon Valley Bank to present an audit plan for the 2022 audit on April 22, 2022, shortly after it completed its 2021 audit for the bank.[214] The audit plan presented by KPMG proposed dividing the 2022 audit into four stages:

- **March-May: "Planning and Risk Assessment,"** involved obtaining and updating an understanding of the bank and its environment and inquiring of the board of directors, management, and others about risks of material misstatement.[215]

- **June-August: "Q2 sprints,"** involved ongoing risk assessment procedures, testing operating effectiveness, and communicating the plan to bank management.[216]

- **September-December: "Q3 Sprints,"** involved evaluating and performing audit procedures.[217]

- **January-February: "Year-end Sprints,"** focused on completing testing and finalizing the audit to present to the board of directors.[218]

During the meeting at which KPMG presented the 2022 audit plan to Silicon Valley Bank's Board of Directors, KPMG identified and communicated several potential risks, including risks of error and fraud in how the bank accounted for potential losses on loans and credit in the coming year.[219] The presentation did not reference any issues with the bank's risk

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[213] *See* SVB Financial Group, Annual Report (Form 10-K) (Mar. 1, 2022), 97; SVB Financial Group, Q1'22 Audit Committee Meeting, Q1 Review Update, FY'22 Audit Plan & Fee Pre-Approval Requests, KPMG (Apr. 13, 2022), KPMG-SVB-PSI-WP-0000022812 at 22819 (on file with the Subcommittee).

[214] SVB Financial Group, Annual Report (Form 10-K) (Mar. 1, 2022), 97; FY'22 Audit Plan & Fee Approval Requests Committee, *supra* note 213.

[215] *See* Audit Plan & Fee Approval Requests Committee, *supra* note 213, at 22819.

[216] *Id*.

[217] *Id*.

[218] *Id*.

[219] *See id*. at 22820-22821.

management or internal audit department, factors the Federal Reserve flagged to KPMG throughout the audit.[220] Likewise, KPMG did not cite any risks associated with rising interest rates or their impact on the venture capital industry, which analysts cited after the bank collapsed as a stressor that prompted the bank run which ultimately led to the bank's demise.[221] The risks identified at the beginning of the audit influenced how the audit was executed, for instance indicating which workpapers should be completed to address the concerns identified.[222]

KPMG had reason to be aware of risks that were not included it its audit plan.[223] Silicon Valley Bank's regulators, which included the Federal Reserve, the FDIC, and the California Department of Financial Protection and Innovation, conferred with Jack Pohlman, the lead audit partner for KPMG's audit team for Silicon Valley Bank since 2021, and other senior members of the audit team at quarterly meetings to discuss high level concerns regarding the bank.[224] KPMG met with the bank's regulators on January 18 and April 19, 2022, prior to KPMG presenting its audit plan to Silicon Valley Bank on April 22.[225] In these meetings, the Federal Reserve discussed Silicon Valley Bank's outstanding supervisory letters, which were available to KPMG, and communicated to KPMG that it was concerned with aspects of the bank's risk management in the face of "unprecedented growth" in deposits and worried that problems the bank had with building out its risk division pointed to "foundational weaknesses."[226]

Mr. Pohlman attended Silicon Valley Bank's board meetings monthly and met with senior bank officials (including the bank's Chief Executive Officer, Chief Financial Officer, and others) at least quarterly to receive updates on the state of the bank.[227] Meeting notes prior to KPMG presenting the 2022 audit plan to the bank's board of directors detailed discussions

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[220] *See id*.

[221] *See id.*; Andy Kessler, *Who Killed Silicon Valley Bank?*, WALL ST. J. (Mar. 12, 2025), https://www.wsj.com/articles/who-killed-silicon-valley-bank-interest-rates-treasury-federal-reserve-ipo-loan-long-term-bond-capital-securities-startup-jpmorgan-bear-stearns-lehman-brothers-b9ca2347.

[222] *See* PSI Interview with Jack Pohlman, Lead Partner, KPMG (Feb. 15, 2025) at 153.

[223] *Id*. at 123-25.

[224] *Id*. at 4, 123-25.

[225] *See* Federal Reserve Bank of San Francisco, Meeting Summary, Quarterly RCM Meeting with KPMG (Apr. 19, 2022), FRB_SVB_PSI_000012 at 14 ("foundational weaknesses") (on file with the Subcommittee) [hereinafter Fed Meeting Summary Apr. 19, 2022]; Federal Reserve Bank of San Francisco, Meeting Summary, Quarterly RCM Meeting with KPMG (Jan. 18, 2022), FRB_SVB_PSI_000009, 10 [hereinafter Fed Meeting Summary Jan. 18, 2022].

[226] Fed Meeting Summary Apr. 19, 2022, *supra* note 225, at 14; Fed Meeting Summary Jan. 18, 2022, *supra* note 225, at 10.

[227] *See* Q1'22 Quarterly Update, Treasury, KPMG, KPMG-SVB-PSI-WP-0000023067 (on file with the Subcommittee); Q1'22 CEO Meeting with Greg Becker, KPMG, KPMG-SVB-PSI-WP-0000056560 (on file with the Subcommittee).

of the impact of rising interest rates on the venture capital industry and Silicon Valley Bank.[228] For instance, second quarter meeting minutes between KPMG and the CEO regarding the first quarter note "the impact of cooling in the economy" and expectations for how the venture capital industry would progress over the course of the year.[229] However, KPMG failed to elevate those issues as potential risks to the bank's leadership, both upon presenting the 2022 audit plan and upon the completion of the audit.[230]

Mr. Pohlman continued to meet with Silicon Valley Bank's leadership as the audit progressed. On January 17, 2023, KPMG previewed an unsigned draft of its audit opinion for Silicon Valley Bank's board of directors to review.[231] Just as during the presentation at the beginning of the audit, KPMG's January 17 presentation did not mention any of the risks posed to the audit by interest rate increases impacting the market as a whole or the existing volatility in the venture capital industry.[232] At the end of the presentation, KPMG listed "Ten Key Regulatory Challenges of 2023."[233] Notably, in this additional material, KPMG addressed "Climate & Sustainability" and "Payments & Crypto" among other topics, but did not discuss the Federal Reserve's widely publicized plans to continue raising interest rates.[234]

b. The Federal Reserve Communicated Concerns to KPMG About the Bank's Risk and Internal Audit Functions, but KPMG Determined These Issues Had no Implications for Their Audit

As Silicon Valley Bank swelled with deposits in 2020, it passed a threshold of $100 billion in total assets, which subjected the bank to a higher threshold of regulatory scrutiny.[235] Beginning in April 2021, the Federal Reserve initiated a series of targeted "readiness review" examinations to determine the bank's ability to comply with heightened regulatory standards.[236] KPMG and the Federal Reserve met for a quarterly check-in regarding Silicon

[228] Q1'22 Quarterly Update, *supra* note 227; Q1'22 CEO Meeting with Greg Becker, *supra* note 227.

[229] Q1'22 CEO Meeting with Greg Becker, *supra* note 227, at 56560.

[230] *See* Audit Plan & Fee Approval Requests Committee, *supra* note 213; SVB Financial Group Discussion with the Audit Committee, *Risk Assessment: Significant Risks (changes to audit plan)* KPMG (Jan. 17, 2023), KPMG-SVB-PSI-WP-0000023000, 23002 (on file with the Subcommittee).

[231] *See* SVB Financial Group Discussion with the Audit Committee, *Risk Assessment: Significant Risks (changes to audit plan)* KPMG (Jan. 17, 2023), KPMG-SVB-PSI-WP-0000023000, 23006-23007 (on file with the Subcommittee).

[232] *See id*.

[233] *Id*. at 23024.

[234] *See id*.; D. Brian Blank, *Analysis: What the Fed's Largest Interest Rate Hike in Decades Means for You*, PBS NewsHour (June 16, 2022), https://www.pbs.org/newshour/economy/analysis-what-the-feds-largest-interest-rate-hike-in-decades-means-for-you.

[235] *See* Bd. Governors Fed. Rsrv. Sys., *supra* note 1, at 29-31.

[236] *Id*. at 41.

Valley Bank in April 2022.[237] At that time, the Federal Reserve flagged that it was nearing the end of its review of the bank's risk management, which included a specific assessment of the bank's risk and internal audit departments, and noted that examiners had "significant concerns" about the bank's risk management practices relative to the Federal Reserve's expectations for a large financial institution, as the bank had experienced expansive growth since 2020.[238] According to meeting minutes from the Federal Reserve, KPMG asked whether the "level of oversight and findings is typical of a transitioning firm," to which the regulator replied, "to a degree but the level of concern is above average and shows foundational weaknesses."[239]

Generally, internal auditors are responsible for "providing analyses, evaluations, assurances, recommendations, and other information to the entity's management and board."[240] PCAOB standards direct auditors to obtain an understanding of the internal audit function, and, if its work is relevant to the financial statement audit, assess the "competence and objectivity" of the internal audit function.[241] If the independent auditor "concludes that the internal auditors' activities are not relevant to the financial statement audit, the auditor does not have to give further consideration to the internal audit function."[242]

In May 2022, following the examination, the Federal Reserve escalated its concerns about the bank's risk management and issued a Matter Requiring Immediate Attention to Silicon Valley Bank based on problems with the bank's internal audit department.[243] A Matter Requiring Immediate Attention directs a bank to focus on and remediate "important or lingering weaknesses," that could impact the bank's safety and soundness or otherwise face an enforcement action.[244] The Federal Reserve's May 2022 Matter Requiring Immediate Attention stated:

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[237] Fed. Rsrv. Bank San Francisco, Meeting Summary, Quarterly RCM Meeting with KPMG (Apr. 19, 2022), FRB_SVB_PSI_000012 (on file with the Subcommittee).

[238] *Id*. at 13. On July 25, 2025, KPMG told the Subcommittee: "regulators did not fault the board or management with respect to internal control over financial reporting." Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, Appendix A, 24 (July 25, 2025) (on file with the Subcommittee).

[239] Fed. Rsrv. Bank San Francisco, Meeting Summary, Quarterly RCM Meeting with KPMG (Apr. 19, 2022), FRB_SVB_PSI_000012 at 14 (on file with the Subcommittee).

[240] Pub. Co. Acct. Oversight Bd., *AS 2605: Consideration of the Internal Audit Function*, at 2605.03, https://pcaobus.org/oversight/standards/auditing-standards/details/as-2605-consideration-of-the-internal-audit-function_1528. (last visited Sept. 8, 2025).

[241] *Id*. at 2605.08.

[242] *Id*.

[243] *See* Bd. Governors Fed. Rsrv. Sys., *supra* note 1, at 41.

[244] Bd. Governors Fed. Rsrv. Sys., *How Federal Reserve Supervisors Do Their Jobs* (Apr. 27, 2023), https://www.federalreserve.gov/supervisionreg/how-federal-reserve-supervisors-do-their-jobs.htm.

> Internal audit effectiveness—The internal audit (IA) department's methodology and programs do not sufficiently challenge management, provide the audit committee with sufficient and timely reporting, or ensure the timely analysis of critical risk-management functions and the overall risk-management program. The deficiencies in IA's processes and reporting negatively affected its ability to provide timely, independent assurance that the firm's risk management, governance, and internal controls were operating effectively.[245]

KPMG analyzed the May 2022 Matter Requiring Immediate Attention and its impact on the audit and drafted a memo that detailed its conclusions on August 1, 2022.[246] KPMG's memo concluded "[t]here is a lack of a formal framework for the Board [of Directors] to evaluate risk events," such as "fraud events, wire issues, longstanding regulatory or audit findings, or failed project implementations, etc."[247] Nevertheless, after completing its review, KPMG determined the problems with the bank's internal audit department, as identified by the Federal Reserve, had no impact on KPMG's planned audit approach, as "there is no [internal audit] work used for audit evidence supporting KPMG conclusions."[248] In an interview with the Subcommittee, Mr. Pohlman acknowledged that the bank's internal audit department had "a lot of work to be done," but denied that the issues identified by the Federal Reserve (i.e., timely information and analysis) could have impacted the "quality or accuracy of information KPMG might receive during the course of its work."[249] KPMG told the Subcommittee it did not rely on Silicon Valley Bank's internal audit function during the engagement because Silicon Valley Bank's internal audit function "did not focus on internal controls over financial reporting,"[250]

In January 2023, the Federal Reserve again raised Silicon Valley Bank's internal audit department (referred to as "internal audit") with KPMG at a quarterly meeting, expressing concerns about the "audit execution" considering that "KPMG has some reliance on internal

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[245] Bd. Governors Fed. Rsrv. Sys., *supra* note 1, at 48.

[246] Memorandum to SVB, *re: FRBSF & CDFPI Governance and Risk Management Review* (Aug. 1, 2022), KPMG-SVB-PSI-WP-0000063058 (on file with the Subcommittee).

[247] *Id.* at 63059.

[248] *Id.* at 63068.

[249] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 98.

[250] On July 25, 2025, KPMG told the Subcommittee they relied on the bank's Sarbanes-Oxley compliance ("SOX") department for information necessary for their audit, which KPMG determined was "effective" and "sufficiently objective." Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, Appendix A, 19-20 (July 25, 2025) (emphasis in original) (on file with the Subcommittee).

audit."[251] The regulator asked again "whether KPMG has any concerns on relying on internal audit's work."[252] According to the meeting minutes, Mr. Pohlman replied that KPMG had not relied on anything from Silicon Valley bank's internal audit department in three to four years, and instead depended on other departments for needed information.[253]

Mr. Pohlman told the Subcommittee he knew that KPMG had stopped relying on Silicon Valley Bank's internal audit department before he began working on the Silicon Valley Bank engagement, however he never inquired why.[254] Mr. Pohlman told the Subcommittee that practices vary from one engagement to another, and while many audit teams rely on a company's internal audit department for needed information, it was not unusual for audit teams to rely on other departments at their client for information.[255] Both in KPMG's workpapers and in the Subcommittee's discussions with KPMG auditors, KPMG reiterated its position that the bank's issues with governance and controls had no direct effect on internal controls over financial reporting or the bank's financial statements.[256] Going a step further, KPMG documented that the risk department did not pertain to the audit because the Federal Reserve's "findings in the report do not relate to the sufficiency of internal audit's plan or their effectiveness at performing their work.[257]

In interviews with the Subcommittee, two of the four auditors for Silicon Valley Bank, including the lead audit partner, maintained that they did not rely on information from the bank's internal audit department to obtain information for KPMG's independent audit, while a senior audit manager told the Subcommittee that there was "certain test work" for which the engagement team relied on internal audit.[258] Further, Mr. Pohlman told the Subcommittee that while the audit team did not depend on information from the internal audit department to complete their audit, they nevertheless reviewed documents produced by the department to determine whether they related to the audit.[259] Despite KPMG's position that it did not rely on information from the internal audit department, documents

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[251] Fed. Rsrv. Bank San Francisco, Meeting Summary, Quarterly RCM Meeting with KPMG (Jan. 17, 2023), FRB_SVB_PSI_000022 (on file with the Subcommittee).

[252] *Id*.

[253] *Id*. at 23.

[254] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 106-07.

[255] *Id*. at 106-08.

[256] *Id.* at 106-120; *see* Memorandum to SVB, re: FRBSF & CDFPI Governance and Risk Management KPMG-SVB-PSI-WP-0000063058, 63067-63068.

[257] Memorandum to SVB, re: FRBSF & CDFPI Governance and Risk Management Review (Aug. 1, 2022), KPMG-SVB-PSI-WP-0000063058, 63067.

[258] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 106; PSI Interview with Lead Audit & Engagement Manager for Silicon Valley Bank Engagement Team, KPMG (Feb. 8, 2024) at 46; PSI Interview with Senior Audit Manager for Silicon Valley Bank engagement team, KPMG (Jan. 26, 2024) at 73.

[259] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 100.

reviewed by the Subcommittee show that the firm reviewed 170 reports from the bank's internal audit department between March 2022 and February 2023 that identified risks ranging from missing policies for identifying and reporting fraud at the bank to risk models that lacked key information and did not comply with standard documentation requirements.[260] KPMG's workpaper on the matter concluded that all 170 reports it received from the bank's internal audit department did "not have direct effect on" the bank's internal controls over financial reporting or its financial statement and therefore the "engagement team [did not] alter [its] existing audit approach."[261]

According to Mr. Pohlman, just as KPMG was aware of concerns with the bank's internal audit department, the firm was similarly aware of issues with the bank's risk division, which had also been criticized by the Federal Reserve.[262] In April 2022, the bank's Chief Risk Officer left her position and was not replaced until January 2023.[263] Mr. Pohlman told the Subcommittee that he understood the Chief Risk Officer left her position due to regulatory criticism of the bank's risk function.[264] Concerns about the bank's risk division were presented at meetings of the bank's board of directors, for which KPMG was either present or reviewed meeting minutes afterwards.[265] For instance, in September 2022, according to board meeting minutes reviewed by KPMG, the bank's efforts to improve its risk division were "off track and behind schedule."[266] In the same meeting, a bank executive reported to the

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[260] Assessment of Internal Audit Findings - SVB Financial Group 2022 Integrated Audit, KPMG-SVB-PSI-WP-0000063033 (on file with the Subcommittee).

[261] *Id.*

[262] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 41.

[263] Robert Freedman, *SVB Had No Risk Chief Through Much of 2022, Proxy Statement Shows*, LEGAL DIVE (Mar. 13, 2023), https://www.legaldive.com/news/svb-cro-Laura-Izurieta-chief-risk-officer-collapse-silicon-valley-bank-kim-olson/644830/. In January 2022, Silicon Valley Bank's board of directors met in an executive session to discuss the performance of the bank's Chief Risk Officer. Silicon Valley Bank, Risk Committee Meeting Minutes (Jan. 19, 2022), FRB_SVB_PSI_000757 (on file with the Subcommittee). KPMG was not invited to the discussion. *Id.* The session ended with the board of directors requesting the bank's CEO meet with the Chief Risk Officer to discuss the concerns raised. *Id.* at 760.

[264] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Aug. 25, 2025).

[265] *See e.g.* PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 121. According to board meeting minutes, throughout 2022, Silicon Valley Bank conducted multiple gap assessments on its risk division--which it struggled to remediate--as it updated its Risk Management Policy in response to regulatory criticism from the Federal Reserve and the California Department of Financial Protection and Innovation. *See e.g.*, Silicon Valley Bank, Risk Committee Meeting Minutes (Dec. 16, 2022), FRB_SVB_PSI_000859 (on file with the Subcommittee), 862-863, 865; Silicon Valley Bank, Risk Committee Meeting Minutes (July 19, 2022), FRB_SVB_PSI_000790 (on file with the Subcommittee), 791-792; Silicon Valley Bank, Risk Committee Meeting Minutes (June 17, 2022), FRB_SVB_PSI_000785 (on file with the Subcommittee), 785-786.

[266] Silicon Valley Bank, Risk Committee Meeting Minutes (Sept. 20, 2022), FRB_SVB_PSI_000817 at 820 (on file with the Subcommittee).

bank's board of directors that approximately 40 percent of the division's controls were failing testing, a fact which Mr. Pohlman confirmed KPMG was aware of.[267]

KPMG also had visibility into the risk division's challenges with meeting its benchmarks as the auditor reviewed successive iterations of the bank's 10-K before publication.[268] A 10-K is an annual report that public companies must file with the SEC to provide a comprehensive overview of their financial condition and business activities.[269] A company's financial statement, which is the focus of an audit, is only one part of a full 10-K.[270] The full 10-K includes discussion and analysis of risks within the company that the auditor does not provide a formal opinion on.[271] In prior years, Silicon Valley Bank had typically reported the results of its Economic Value of Equity ("EVE") analysis, a metric calculated by the bank's risk division, in its 10-K.[272] EVE measures the long-term impact of interest rate changes on a bank's net worth by calculating the present value difference between expected cash inflows and outflows across all assets and liabilities.[273] In a December 2022 meeting of the bank's board of directors, a risk management executive reported that the bank would likely be unable to remedy its EVE by the end of the year, which had already been in breach for six months.[274] Successive drafts of Silicon Valley Bank's 10-K revealed that in the face of this sustained breach, the bank deleted the EVE metric from its 10-K in the weeks before it was published. KPMG reviewed a draft of the bank's 10-K in which it had deleted, in redline, its EVE analysis.[275] The deleted analysis revealed a $4.7 billion loss to the bank's equity, growing more severe as interest rates climbed.[276]

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[267] *Id.*; PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 121.

[268] *See* KPMG Internal Email Communications (Jan. 30, 2023), KPMG-SVB-PSI-0000043759 (on file with the Subcommittee).

[269] *See* Form 10-K, *U.S. Sec. & Exch. Comm'n*, https://www.sec.gov/forms/10-k.pdf (last visited Sept. 10, 2025).

[270] Investor Bulletin: How to Read a 10-K, at 3-4 *U.S. Sec. & Exch. Comm'n*, www.sec.gov/files/reada10k.pdf (last visited Sept. 12, 2025).

[271] *Id*. at 2.

[272] Nicole M. White, *SVB Quietly Deleted Rate-Risk Metric as Auditor KPMG Stayed Mum*, BLOOMBERG TAX (May 15, 2023), https://news.bloombergtax.com/financial-accounting/svb-quietly-deleted-rate-risk-metric-as-auditor-kpmg-stayed-mum.

[273] *Economic Value of Equity (EVE) Definition, Limitations*, INVESTOPEDIA (June 19, 2024) https://www.investopedia.com/terms/e/economicvalueofequity.asp.

[274] Silicon Valley Bank, Risk Committee Meeting Minutes (Dec. 16, 2022), FRB_SVB_PSI_000859 at 863 (on file with the Subcommittee).

[275] *See* SVB Financial Group, Draft Annual Report (Form 10-K) (Feb. 24, 2023), KPMG-SVB-PSI-0000050897 at 50991 (on file with the Subcommittee).

[276] The deletion of this metric in the bank's 10-K raised questions about whether KPMG inquired with the bank regarding its absence in the 2022 10-K. The Subcommittee's review found no follow-up communications or comments left on any documents that questioned the removal of the EVE analysis from iterative drafts of the bank's 10-K. *See* SVB Financial Group, Annual Report (Form 10-K), 95 (Feb. 24, 2023), KPMG-SVB-PSI-0000050897 (on file with the Subcommittee); Nicole M. White, *supra* note 272.

Figure 1: Economic Value of Equity Analysis Deleted from Silicon Valley Bank Draft 2022 Form 10-K

Economic Value of Equity

~~The estimated EVE in the preceding table is based on a combination of valuation methodologies including a discounted cash flow analysis and a multi-path lattice-based valuation. Both methodologies use publicly available market interest rates to determine discounting factors on projected cash flows. The model simulations and calculations are highly assumption-dependent and will change regularly as the composition of earning assets and funding liabilities change (including the impact of changes in the value of interest rate derivatives, if any), as interest rate environments evolve, and as we change our assumptions in response to relevant market conditions, competition or business circumstances. These calculations do not reflect forecast changes in our balance sheet or changes we may make to reduce our EVE exposure as a part of our overall interest rate risk management strategy.~~

~~As with any method of measuring interest rate risk, certain limitations are inherent in the method of analysis presented in the preceding table. We are exposed to yield curve risk, prepayment risk, basis risk and yield spread compression, which cannot be fully modeled and expressed using the above methodology. Accordingly, the results in the preceding table should not be relied upon as a precise indicator of actual results in the event of changing market interest rates. Additionally, the resulting EVE and NII estimates are not intended to represent and should not be construed to represent our estimate of the underlying EVE or forecast of NII.~~

~~Our base EVE as of December 31, 2022 decreased $4.7 billion from December 31, 2021, driven primarily by a change in the mix of our balance sheet, which includes a shift from non-interest bearing deposits to interest bearing deposits and short term borrowings; and higher rates during the fourth quarter of 2022, which extended the duration of our fixed income investment securities portfolio while shortening the duration of our deposits and overall liabilities. The EVE profile of our balance sheet at December 31, 2022, now shows an increasing risk in the +100 and +200 bps instantaneous parallel shift scenarios as the extended duration of our fixed income portfolio has increased the market value sensitivity of these securities to rising rates, while the shift in mix from non-interest bearing deposits to interest bearing deposits and short term borrowings has reduced duration of our liabilities.~~

Source: Draft of Silicon Valley Bank 2022 Form 10-K, attachment to internal KPMG email (Feb. 9, 2023), KPMG-SVB-PSI-0000050897 at 50991(on file with the Subcommittee).

As with the bank's internal audit department, while KPMG told the Subcommittee that it did not rely on information from the bank's risk division to conduct formal audit procedures, it nevertheless reviewed information from the risk division to determine if it applied to the audit.[277] However, Mr. Pohlman indicated that the KPMG team determined that none of the information flowing from Silicon Valley Bank's risk division, nor any of the concerns raised regarding the division, related to financial reporting so as to require changes to how KPMG conducted its audit.[278] In an August 2022 workpaper assessing the Federal Reserve's regulatory inquiries into the bank's risk management, KPMG concluded "the engagement team does not believe that the matters identified [by the Federal Reserve] would impact our assessment of the risk of error for any specific significant accounts and relevant assertions."[279]

[277] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 121.

[278] *Id*.

[279] Assessment of Internal Audit Findings - SVB Financial Group 2022 Integrated Audit, KPMG-SVB-PSI-WP-0000063033, 63065 (on file with the Subcommittee).

c. As It Finalized Its Audit, KPMG Failed to Acknowledge the Existence of Factors Known to the Firm That Could Potentially Threaten Silicon Valley Bank's Ability to Operate as a Going Concern

The Subcommittee identified multiple inaccuracies in a workpaper completed at the end of bank's 2022 audit in which KPMG evaluated Silicon Valley Bank's continued viability.[280] Auditors are required by PCAOB auditing standards, upon completion of a year-end audit, to evaluate whether "there is substantial doubt about an entity's ability to continue as a going concern into the future."[281] In this context, "substantial doubt" refers to the likelihood that an entity can "meet its obligations as they become due without substantial disposition of assets outside the ordinary course of business, restructuring of debt, externally forced revisions of its operations, or similar actions."[282] Throughout the Subcommittee's review, KPMG told PSI that auditors are generally not required to assess their client's business risk or strategic decisions.[283] Despite these assertions, KPMG also acknowledged an obligation to analyze risks related to a client's ability to continue as a going concern at the conclusion of a year-end audit.[284]

Counsel for KPMG told the Subcommittee that auditors consider factors related to the bank's ability to continue as a going concern throughout the audit.[285] Nevertheless, immediately prior to the conclusion of the audit, KPMG's documentation included a required workpaper entitled, "Going Concern – Identification of Events or Conditions."[286] The workpaper provided a checklist of events or conditions that could potentially signal a risk to an entity's continued operation for the following 12 months.[287] According to Mr. Pohlman, the

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[280] KPMG told PSI that it disagrees with the Subcommittee's assessment that its findings were inaccurate, except for one line item that it attributed to a "documentation error." *See* PSI Interview with Jack Pohlman, Audit Partner, KPMG (Aug. 25, 2025).

[281] Pub. Co. Acct. Oversight Bd., *AS 2415: Consideration of an Entity's Ability to Continue as a Going Concern*, https://pcaobus.org/oversight/standards/auditing-standards/details/AS2415 (last visited Sept. 10, 2025).

[282] *Id.*; *see* Anthony Mosco & Mark Crowley, *A Summary of Key Provisions of FASB's ASU on Going Concern*, WALL ST. J., https://deloitte.wsj.com/riskandcompliance/fasb-issues-asu-on-going-concern-1411099313 (last visited Sept. 12, 2025).

[283] *See* PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 153-54; PSI Interview with Lead Audit Partner 1, Partner, KPMG (Jan. 10, 2024) at 9; PSI Interview with Mike Keehlwetter, Audit Partner, KPMG (Jan. 9, 2024) at 203; PSI Interview with Lead Audit Partner 2, Lead Audit Partner, KPMG (Feb. 29, 2024) at 10, 19.

[284] *See* PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 154.

[285] On July 25, 2025, KPMG told the Subcommittee that "the auditor *need not* design audit procedures just for the going concern assessment. Instead, an auditor obtains information from the audit procedures related to management's financial statement assertions. Consequently, the auditor relies on the body of the audit work to make this evaluation." Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, Appendix A, 28 (July 25, 2025) (on file with the Subcommittee).

[286] *See* Going Concern - Identification of Events or Conditions - Required Work Paper (10/20), KPMG-SVB-PSI-WP-0000006105 at 6105 (on file with the Subcommittee).

[287] *See id*.

workpaper was a "general aid" used by the engagement team to determine the bank's ability to continue as a going concern upon completion of the audit.[288] Mr. Pohlman signed off on the workpaper on February 23, 2023, the day before KPMG issued its unqualified audit of Silicon Valley Bank,[289] The going concern workpaper instructed auditors to review 64 possible events and conditions, organized into the following categories:

- "Debt;"
- "Access to credit;"
- "Key financial ratios/performance;"
- "Other financial considerations;"
- "Suppliers/creditors;"
- "Customers/debtors;"
- "Personnel;"
- "Products and markets;"
- "Operations;"
- "Industry factors;"
- "Legal and Regulatory;"
- "For listed entities;" and
- "Other considerations."

KPMG's workpaper appears to be modeled on language from PCAOB AS 2415, which provides standards for conducting a going concern analysis.[290] AS 2415 requires auditors to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern.[291] The PCAOB directs auditors to base this evaluation on their "knowledge of relevant conditions and events" at the time they issue the audit.[292] Accordingly, KPMG's going concern workpaper instructs auditors to "indicate whether [they] have identified" any of the 64 events or conditions listed.[293] If the event or condition is identified, the auditor would determine whether "individually, or in the aggregate, [the event or condition(s)] raise[d] substantial doubt" about the entity's ability to continue as a going concern.[294] If the condition existed but did not threaten the bank's continued operation, the auditor should document

[288] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Aug. 25, 2025).

[289] *See* KPMG Going Concern Checklist, KPMG-SVB-PSI-WP-0000006107 (on file with the Subcommittee).

[290] *See* Pub. Co. Acct. Oversight Bd., *AS 2415: Consideration of an Entity's Ability to Continue as a Going Concern*, https://pcaobus.org/oversight/standards/auditing-standards/details/AS2415 (last visited Sept. 10, 2025); Going Concern - Identification of Events or Conditions - Required Work Paper (10/20), KPMG-SVB-PSI-WP-0000006105 (on file with the Subcommittee).

[291] *See* Pub. Co. Acct. Oversight Bd., *supra* note 290.

[292] *See id.*

[293] Going Concern - Identification of Events or Conditions - Required Work Paper (10/20), KPMG-SVB-PSI-WP-0000006105 at 6105 (on file with the Subcommittee).

[294] *Id*.

the rationale for why the event or condition would not threaten the continued viability of the company.[295]

For the going concern workpaper, completed at the end of the audit, KPMG auditors categorically responded "no" to each query regarding the existence of any of the 64 listed events or conditions, thus forgoing the need to document why any risk listed in the workpaper would not threaten the bank's ability to continue as a going concern.[296] As discussed below, the Subcommittee's analysis shows that at least six of these conditions appeared to exist at the time the workpaper was completed. KPMG disputed the Subcommittee's assessment for five of these conditions, but acknowledged a "documentation error" regarding the sixth.[297] Mr. Pohlman represented to the Subcommittee that he had personally read each line item in the checklist before signing off on it.[298] The going concern workpaper was completed on February 23, 2023, the day before the audit team finalized its 2022 year-end audit for Silicon Valley Bank.[299]

[295] *See id*.

[296] *See* Going Concern - Identification of Events or Conditions - Required Work Paper (10/20), KPMG-SVB-PSI-WP-0000006105 (on file with the Subcommittee). Unlike the going concern checklist for Silicon Valley Bank, the audit team for Signature Bank identified a personnel change on its going concern checklist as the bank terminated its Controller without hiring a replacement for six months. Going Concern - Identification of Events or Conditions - Required Work Paper for Signature Bank (10/20) KPMG-SBNY-PSI-WP-0000006793 (on file with the Subcommittee). KPMG provided a paragraph documenting its reasoning for why this change did not raise reasonable doubt about the bank's ability to continue as a going concern. *Id.* Like the going concern workpaper for Silicon Valley Bank, the audit team for First Republic Bank categorically responded that they did not identify any factors that might threaten the bank's ability to continue as a going concern. *See* Going Concern - Identification of Events or Conditions - Required Work Paper (10/20) for First Republic Bank, KPMG-FRB-PSI-WP- 0000017829 (on file with the Subcommittee).

[297] *See* PSI Interview with Jack Pohlman, Audit Partner, KPMG (Aug. 25, 2025). On September 10, 2025 KPMG told the Subcommittee an associated workpaper included KPMG's consideration of the "'significant rise in inflation rate followed by aggressive rate hike by the Federal Reserve,' as well as the fact that the bank's 'clients [were] concentrated in niche industries such as . . . venture capital/private equity' that were 'particularly . . . vulnerable' to 'worsening economic conditions.'" Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, at 4 (Sept. 10, 2025) (on file with the Subcommittee). To review the associated workpaper in full, see Appendix I.

[298] *See* PSI Interview with Jack Pohlman, Audit Partner, KPMG (Aug. 25, 2025).

[299] *See* 2.4.1.20 Going Concern Checklist - CAO, KPMG-SVB-PSI-WP-0000006107 (on file with the Subcommittee).

Events or Conditions KPMG had Reason to Identify		
	Category	**Event or condition**
1	"Key financial ratios/performance"	"Had substantial operating losses or significant deterioration in the value of assets used to generate cash flows?"
2	"Personnel"	"An abrupt change in the senior management team of the entity (e.g. "C-suite") for unknown reasons (Chair, CEO, CFO, Controller)?"
3	"Products and Markets"	"Does the entity have significant operations exposed to volatile markets?"
4	"Industry factors"	"Over the last 12 months has there been a fundamental and significant change in the industry in which the entity operates?"
5	"Legal and Regulatory"	"Regulatory inquiries or investigations into the entity's operations or financial reporting?"
6	"For listed entities"	"Has the entity's share price declined by more than 20% over the last 12 months?"

i. *KPMG had Reason to Identify at Least Six Risk Factors from its Going Concern Workpaper Regarding Silicon Valley Bank*

1. "[S]ubstantial operating losses or significant deterioration in the value of assets used to generate cash flows"

Within the category of risks related to "Key financial ratios/performance," the going concern workpaper asked if Silicon Valley Bank: "Had substantial operating losses or significant deterioration in the value of assets used to generate cash flows?"[300] KPMG stated that it had not identified this risk.[301] As explained below, the Subcommittee found evidence of significant deterioration in the value of the bank's assets.[302] In particular, the bank's HTM securities portfolio declined by $15 billion in the face of rising interest rates.[303] Interest payments on these assets represented an important source of cash flow for the institution.[304]

[300] Going Concern - Identification of Events or Conditions - Required Work Paper (10/20) for Silicon Valley Bank, KPMG-SVB-PSI-WP-0000006105 (on file with the Subcommittee).

[301] *See id*.

[302] *See e.g.*, Pratiksha Jha et al., *The Swift Rise and Sudden Fall: Examining the Collapse of Silicon Valley Bank,* SAGE JOURNALS 6-9 (Feb. 19, 2025), https://journals.sagepub.com/doi/10.1177/25166042251319596.

[303] *Id.*

[304] *Id.*

Figure 2: Silicon Valley Bank Going Concern Analysis Factor: Key Financial Ratios/Performance

Based on our understanding and findings from performing the above procedures, indicate whether we have identified any of the following events or conditions.	
Event or condition Certain questions below refer to the applicable forward looking assessment period. This refers to the forward looking period as determined by the applicable financial reporting framework and relevant auditing standard. For example, under ISAs and IFRS, the relevant period would be "at least 12 months from the date of the financial statements" and under US GAAS or PCAOB standards and FASB standards, the relevant period would generally be "one year from the date the financial statements are issued or available to be issued."	Event or condition identified?
Key financial ratios/performance Over the last 12 months, has the entity: - operated in a net liability or net current liability position? - had negative cash flows from operating activities? - had substantial operating losses or significant deterioration in the value of assets used to generate cash flows? - been in arrears in paying dividends or has there been or expected to be a significant (50%) reduction in dividends paid/payable? - had other adverse key financial ratios that may raise substantial doubt about the entity's ability to continue as a going concern?	No

Source: KPMG Silicon Valley Bank 2022 Year-End Audit Workpaper "Going Concern – Identification of Events or Conditions" (Feb. 23, 2023) (on file with the Subcommittee) KPMG-SVB-PSI-WP-0000006105.

Key financial ratios/performance Over the last 12 months, has the entity: - Operated in a net liability or net current liability position? - Had negative cash flows from operating activities? - Had substantial operating losses or significant deterioration in the value of assets used to generate cash flows? - Been in arrears in paying dividends or has there been or expected to be a significant (50%) reduction in dividends paid/payable? - Had other adverse key financial ratios that may raise substantial doubt about the entity's ability to continue as a going concern?	**No**

Assets used to generate cash flows are resources that a business owns—such as loans or securities—that produce ongoing income or value through interest payments or otherwise, resulting in positive cash flow.[305] Historically, Silicon Valley Bank relied on its investment securities to produce steady and reliable income.[306] As of December 31, 2022, Silicon Valley Bank held 43.1 percent of its total assets, or $91.3 billion out of $211.8 billion, as HTM.[307] Generally speaking, whether assets held for cash flow are classified as HTM or AFS, they are still capable of generating revenue through interest payments.[308]

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[305] *See* Adam Hayes, *Cash Flow: What It Is, How It Works, and How to Analyze It*, INVESTOPEDIA (Oct. 8, 2024), https://www.investopedia.com/terms/c/cashflow.asp; Investopedia, *What Is an Asset? Definition, Types, and Examples*, https://www.investopedia.com/terms/a/asset.asp (last updated Apr. 4, 2025).

[306] *See* Pratiksha Jha, et al., *supra* note 302, at 2-5.

[307] Sandy Peters, *The SVB Collapse: FASB Should Eliminate "Hide-'Til-Maturity" Accounting*, CFA INSTITUTE (Mar. 13, 2023), https://blogs.cfainstitute.org/marketintegrity/2023/03/13/the-svb-collapse-fasb-should-eliminate-hide-til-maturity-accounting/.

[308] *See* Michael J. Walker, *supra* note 84, at 3.

Due to the impact of rising interest rates, the bank's HTM portfolio had declined in value by $15.1 billion as of December 31, 2022.[309] While the HTM classification of these assets did not impact the amount of income they generated, it limited the bank's ability to sell them in order to purchase other assets more suited to the high rate environment.[310] KPMG acknowledged this impediment in a January 2023 workpaper that assessed risks to the bank without determining their threat to its ability to continue as a going concern.[311] In that workpaper, KPMG wrote that the company's HTM portfolio included long-term investments with low interest rates that were not ideal for an environment with high interest rates, but because the assets were "designated as HTM, the Company could not sell these as rates began to rise and reinvest the proceeds into higher yielding securities."[312]

Moreover, KPMG had conducted testing on the bank's assets and knew the exact amount of Silicon Valley Bank's unrealized losses before the bank published its 10-K.[313] While auditors are primarily responsible for auditing an entity's financial statements, PCAOB standards require them to review the company's entire 10-K, which includes other elements, such as discussion of risks and analysis of the company.[314] Auditors must review their client's entire 10-K "and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements."[315] Beginning in January 2022, KPMG reviewed iterative drafts of Silicon Valley Bank's 2022 10-K.[316] According to these drafts, the bank's HTM securities were reported as $91.3 billion in amortized cost while their fair value had declined to $76.2 billion, reflecting a $15.1 billion unrealized loss.[317] Additionally, KPMG conducted substantive testing regarding the fair value of the bank's HTM portfolio.[318]

[309] Sandy Peters, *supra* note 307.

[310] KPMG Materiality Re-Evaluation Memo of Silicon Valley Bank (Jan. 12, 2023), KPMG-SVB-PSI-WP-0000054755 at 54759 (on file with the Subcommittee).

[311] *See id*. at 54755.

[312] *Id*. at 54759.

[313] *See* Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, Appendix A, at 31 (July 25, 2025) (on file with the Subcommittee).

[314] *See* Pub. Co. Acct. Oversight Bd., *AS 2710: Other Information in Documents Containing Audited Financial Statements*, https://pcaobus.org/oversight/standards/auditing-standards/details/AS2710 (last visited Sept. 11, 2025).

[315] *Id*.

[316] *See* KPMG Internal Email Communications (Jan. 30, 2023), KPMG-SVB-PSI-0000043759 (on file with the Subcommittee).

[317] *Draft* of Silicon Valley Bank *2022 Form 10-K, attachment to internal KPMG email* (Feb. 9, 2023), KPMG-SVB-PSI-0000043969, 44132 (on file with the Subcommittee*)*.

[318] *See* Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, Appendix A, at 31 (July 25, 2025) (on file with the Subcommittee).

Figure 3: Excerpt from Silicon Valley Bank Draft 2022 Form 10-K Regarding Unrealized Losses in Bank's Held-to-Maturity Securities

		Estimated Fair Value			
(Dollars in millions)	**Carrying Amount**	**Total**	**Level 1**	**Level 2**	**Level 3**
December 31, 2022:					
Financial assets:					
Cash and cash equivalents	$ 13,803	$ 13,803	$ 13,803	$ —	$ —
HTM securities	91,321	76,169	—	76,169	—

Source: Draft of Silicon Valley Bank 2022 Form 10-K, attachment to internal KPMG email (Feb. 9, 2023) (on file with the Subcommittee), KPMG-SVB-PSI-0000043969 at 44132.

Beginning in January 2023, two months before the collapse of Silicon Valley Bank, short sellers warned about the unrealized losses accumulating on Silicon Valley Bank's balance sheet.[319] Mr. Pohlman was aware of the concerns raised by short sellers.[320] The day before he signed off on the going concern workpaper, he emailed a *Financial Times* article entitled, "Silicon Valley Bank profit squeeze in tech downturn attracts short sellers" to a group of colleagues.[321] The article noted that the bank had put nearly half "of its assets into a poorly performing bond portfolio that has since amassed an unrealized $15bn loss," which was "greater than the total profits of the bank over three decades."[322] Mr. Pohlman explained why he shared this article, saying, "I understand the article was not a positive article. And… I wanted my engagement team members to be aware of it."[323]

[319] *See, e.g.*, Isabelle Lee, *For nearly 2 months, a short seller was warning on Twitter that Silicon Valley Bank was about to blow up. 'It was sitting there in plain sight.'*, FORTUNE (Mar. 10, 2023), https://fortune.com/2023/03/10/silicon-valley-bank-svb-short-seller-william-martin-twitter-2-months/.

[320] Internal KPMG Email Communications (Feb. 22, 2023), KPMG-SVB-PSI-0000029315 (on file with the Subcommittee) (citing Tabby Kinder et al., *supra* note 77).

[321] Internal KPMG Email Communications (Feb. 22, 2023), KPMG-SVB-PSI-0000029315 (on file with the Subcommittee); Tabby Kinder et al., *supra* note 77.

[322] Tabby Kinder et al., *supra* note 77.

[323] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 73.

Mr. Pohlman explained that the $15 billion in unrealized losses in the bank's HTM investment portfolio reflected the assets "performing exactly how management wanted the securities to perform when they purchased these securities," stating:

> With respect to the $15 billion loss, I think it's also very important to understand the nature of the securities held in the portfolio. These are U.S. Treasury securities and government backed securities that were producing significant cash flows, $13 billion in cash flows per year, approximately. And it's on the statement of cash flows. These securities had, for the government backed and the U.S. Treasury securities, zero credit risk. So, the company had purchased the majority of these securities in 2021, and when the company had made the decision to purchase the majority of the securities, they looked at the cash flows that these securities would generate in 2020, and those are contractual cash flows. They then designated these as held-to-maturity because they were holding them not for the monetization of the fair value, but they were holding them for the collection of contractual cash flows of these debt securities. So these securities, this $15 billion loss doesn't reflect how management intended to realize the value of those underlying securities. The $15 billion loss simply reflects the fact that they buy U.S. Treasury securities, and as interest rates go up, the value of those Treasury securities decline. It's not a poorly performing security, in fact, it's performing exactly how management wanted the securities to perform when they purchased these securities. There are no, there's no gaps there. And the other thing is these securities, because there's no credit risk, at maturity, even with higher interest rates, all of these securities would mature at par. They would all mature at par, and that $15 billion loss would reverse itself over the remaining maturity of those securities.[324]

This decline ultimately led to what analysis published by the Federal Reserve described as: "Panic among investors and depositors. . . triggering a social-media-fueled bank run and ultimately leading to the bank's failure."[325] Before signing the going concern workpaper, KPMG had documented the decline in the value of the bank's HTM assets in January 2023, and Mr. Pohlman raised awareness about the decline with his colleagues.[326] Furthermore, KPMG had performed substantive audit procedures to test the fair value disclosed on the

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[324] *Id*. at 70.

[325] Amanda Blanco, *Signs of SVB's failure likely hidden by obscure 'HTM' accounting designation. Are reforms needed?*, FED. RSRV. BANK BOSTON (Dec. 14, 2023), https://www.bostonfed.org/news-and-events/news/2023/12/silicon-valley-bank-failure-accounting-designation-held-to-maturity-obscure.aspx (citing Michael J. Walker, *supra* note 84).

[326] *See* KPMG Materiality Re-Evaluation Memo of Silicon Valley Bank (Jan. 12, 2023), KPMG-SVB-PSI-WP-0000054755 (on file with the Subcommittee).

face of the balance sheet of the financial statements.[327] Indeed, Mr. Pohlman acknowledged to the Subcommittee that the decline in the fair value of the assets consisted of a "deterioration in the value of the assets."[328] In contrast to this acknowledgement, he told the Subcommittee "I feel like it's clear" based on the "purpose of the question" that KPMG made the appropriate designation because the decline did not affect cash flow of the assets.[329] Therefore, KPMG did not identify a "deterioration in the value of assets used to generate cashflow."[330]

2. "[A]n abrupt change in the senior management team of the entity (e.g. "C-suite") for unknown reasons (Chair, CEO, CFO, Controller)"

Within the category of risks related to "Personnel," the going concern workpaper asked if, in the prior 12 months, there had been: "An abrupt change in the senior management team of the entity (e.g. "C-suite") for unknown reasons (Chair, CEO, CFO, Controller)?"[331] KPMG represented in the going concern workpaper that it had not identified this risk, despite the fact that the bank's Chief Risk Officer had departed without replacement for eight months in April 2022.[332]

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[327] *See* Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, Appendix A, at 31 (July 25, 2025) (on file with the Subcommittee).

[328] *See* PSI Interview with Jack Pohlman, Audit Partner, KPMG (Aug. 25, 2025).

[329] *Id*.

[330] *See* Going Concern - Identification of Events or Conditions - Required Work Paper (10/20), KPMG-SVB-PSI-WP-0000006105 (on file with the Subcommittee).

[331] *Id*.

[332] *See id*.; Robert Freedman *supra* note 263.

Figure 4: Silicon Valley Bank Going Concern Analysis Factor: Personnel

Based on our understanding and findings from performing the above procedures, indicate whether we have identified any of the following events or conditions.	
Event or condition Certain questions below refer to the applicable forward looking assessment period. This refers to the forward looking period as determined by the applicable financial reporting framework and relevant auditing standard. For example, under ISAs and IFRS, the relevant period would be "at least 12 months from the date of the financial statements" and under US GAAS or PCAOB standards and FASB standards, the relevant period would generally be "one year from the date the financial statements are issued or available to be issued."	Event or condition identified?
Personnel Over the last 12 months, has there been: - an abrupt change in the senior management team of the entity (e.g. "C-suite") for unknown reasons (Chair, CEO, CFO, Controller)? - the loss of key management without replacement? - significant labor difficulties?	No

Source: KPMG Silicon Valley Bank 2022 Year-End Audit Workpaper "Going Concern – Identification of Events or Conditions" (Feb. 23, 2023), KPMG-SVB-PSI-WP-0000006105 (on file with the Subcommittee).

Personnel Over the last 12 months has there been: - An abrupt change in the senior management team of the entity (e.g. "C-suite") for unknown reasons (Chair, CEO, CFO, Controller)? - The loss of key management without replacement? - Significant labor difficulties?	**No**

Laura Izurieta, Silicon Valley Bank's Chief Risk Officer, had departed the bank in April 2022 amid the risk division's ongoing challenges.[333] While Ms. Izurieta served in a "consultant capacity" while the bank searched for a new Chief Risk Officer, she was not replaced until January 2023, eight months later.[334] Mr. Pohlman acknowledged to the Subcommittee he was aware of both the Federal Reserve's concerns with the bank's risks management and Ms. Izurieta's departure during the 2022 audit period.[335] Mr. Pohlman told the Subcommittee Ms. Izurieta's departure was related to "general criticism of the risk area."[336]

Ms. Izurieta's departure came in the midst of well documented challenges with the bank's risk function.[337] For instance, subsequent analysis after the bank collapsed found that it "failed its own internal liquidity stress tests [which were administered by the risk division] and did not have workable plans to access liquidity in times of stress."[338] KPMG

[333] *See* PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 37-38*;* Bd. Governors Fed. Rsrv. Sys., *supra* note 1, at 45-46.

[334] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 37-38; *see* PSI Interview with Jack Pohlman, Audit Partner, KPMG (Aug. 25, 2025); Robert Freedman, *supra* note 263.

[335] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 37, 116, 124.

[336] *See* PSI Interview with Jack Pohlman, Audit Partner, KPMG (Aug. 25, 2025).

[337] *See* Bd. Governors Fed. Rsrv. Sys., *supra* note 1, at 45-46.

[338] *Id.* at i; PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 121; Silicon Valley Bank, Risk Committee Meeting Minutes (Sept. 20, 2022), FRB_SVB_PSI_000817 (on file with the Subcommittee).

acknowledged to the Subcommittee that it knew about the bank's risk division had received criticism from regulators and that Ms. Izurieta had departed as Chief Risk Officer without replacement for eight months.[339] Indeed, KPMG attended board meetings and reviewed board meeting minutes for most of 2022, during which no risk officer was present.[340] Mr. Pohlman acknowledged that Ms. Izurieta was a member of senior management but felt that "Laura's transition wasn't abrupt," as she served as a consultant to the bank after her departure.[341]

The Subcommittee inquired what KPMG would consider to be abrupt, to which Mr. Pohlman replied "a sudden change," which, despite the fact that Ms. Izurieta's position remained vacant for eight months, he represented he did not believe applied in this instance.[342] According to Mr. Pohlman, Ms. Izurieta's departure was not abrupt because she served as a consultant to the bank and other members of leadership assumed aspects of her role for nearly a year as the organization searched for a replacement.[343] Therefore, KPMG did not identify any "abrupt change in management" in its going concern workpaper.[344]

3. "[S]ignificant operations exposed to volatile markets"

Within the category of risks related to "Products and Markets," the going concern workpaper asked: "Does the entity have significant operations exposed to volatile markets?"[345] KPMG stated in the workpaper that it had not identified this risk, however, the Subcommittee found evidence that the bank faced exposure to the volatility in the venture capital and technology industry in 2022 and early 2023.[346]

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339 PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 41; Robert Freedman *supra* note 263.

340 *See id.* at 101.

341 PSI Interview with Jack Pohlman, Audit Partner, KPMG (Aug. 25, 2025).

342 *Id*.

343 *See id*.

344 Going Concern - Identification of Events or Conditions - Required Work Paper (10/20), KPMG-SVB-PSI-WP-0000006105 (on file with the Subcommittee).

345 *Id*.

346 *See* Bd. Governors Fed. Rsrv. Sys., *supra* note 1, at 18-19. KPMG auditors had reviewed board meeting minutes in which an executive flagged that slowing deposit growth was creating an "acute issue in venture capital investments." Silicon Valley Bank, Joint Risk and Finance Committees Meeting Minutes (Oct. 19, 2022), FRB-SVB-PSI-000831 at 832. Additionally, KPMG auditors discussed developments in the innovation economy with bank executives throughout the audit. *See* Q2'22 Meeting between Greg Becker, CEO, Silicon Valley Bank, and KPMG, KPMG-SVB-PSI-WP-0000056560 (on file with the Subcommittee); Q3'22 Meeting between Greg Becker, CEO, Silicon Valley Bank, and KPMG, KPMG-SVB-PSI-WP-0000057926 (on file with the Subcommittee); Q1'22 Meeting between Dan Beck, CFO, Silicon Valley Bank, and KPMG, KPMG-SVB-PSI-WP-0000055276 (on file with the Subcommittee).

Figure 5: Silicon Valley Bank Going Concern Analysis Factor: Products and Markets

Based on our understanding and findings from performing the above procedures, indicate whether we have identified any of the following events or conditions.	
Event or condition **Certain questions below refer to the applicable forward looking assessment period. This refers to the forward looking period as determined by the applicable financial reporting framework and relevant auditing standard. For example, under ISAs and IFRS, the relevant period would be "at least 12 months from the date of the financial statements" and under US GAAS or PCAOB standards and FASB standards, the relevant period would generally be "one year from the date the financial statements are issued or available to be issued."**	**Event or condition identified?**
Does the entity have significant operations exposed to volatile markets?	No

Source: KPMG Silicon Valley Bank 2022 Year-End Audit Workpaper "Going Concern – Identification of Events or Conditions" (Feb. 23, 2023), KPMG-SVB-PSI-WP-0000006105 (on file with the Subcommittee).

Does the entity have significant operations exposed to volatile markets?	No

In a separate risk assessment workpaper, KPMG wrote that the bank "principally serves as a commercial bank with focus on servicing clients in the Private Equity, Venture Capital, Life Science and other tech related markets."[347] Indeed, approximately 50 percent of all startups in the U.S. banked with Silicon Valley Bank at the time of its failure.[348] However, in 2022 and early 2023, the venture capital industry raised significantly less funding as rising interest rates made risky investments less appealing.[349] This shift, in turn, made the industry more volatile.[350] In 2022, global startup funding decreased 35 percent while the failure of startups rose 60 percent from the year prior.[351] KPMG addressed any potential risk the instability in the venture capital industry may have posed to the bank's ability to continue as a going concern in a supplementary workpaper, stating:

> Despite the worsening macroeconomic conditions (i.e. continuing conflict in Ukraine-Russia, significant rise in inflation rate followed by aggressive rate hike by the Federal Reserve, etc.) and nature of company's client demographic particularly being vulnerable to these conditions, overall, balance sheet (i.e. total asset) grew from $211.3B to $211.8B as of December 31, 2021, and December 31, 2022, respectively.[352]

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[347] KPMG Materiality Workpaper (Feb. 24, 2023), KPMG-SVB-PSI-WP-0000022808 (on file with the Subcommittee).

[348] Jessica Mathews, Alexandra Sternlicht, *An analysis of regulatory filings reveals that 1,074 firms—from Andreessen Horowitz to General Catalyst—were holding capital at Silicon Valley Bank in 2022*, FORBES (Mar. 12, 2023), https://fortune.com/2023/03/12/venture-firms-custodied-silicon-valley-bank/.

[349] Gene Teare, *Global Funding Slide in 2022 Sets Stage for Another Tough Year*, CRUNCHBASE NEWS (Jan. 5, 2023), https://news.crunchbase.com/venture/global-vc-funding-slide-q4-2022/.

[350] *See id*.

[351] *See* George Hammond, *Start-up failures rise 60% as founders face hangover from boom years*, FIN. TIMES (Aug. 19, 2024), https://www.ft.com/content/2808ad4c-783f-4475-bcda-bddc0299095e; Gene Teare, *supra* note 349.

[352] Going Concern Evaluation – Overall Response, KPMG-SVB-PSI-WP-0000032362 (on file with the Subcommittee).

However, in the same workpaper, KPMG concluded this instability did not pose a threat to the bank, writing that the minimal 0.03 percent "growth despite the current economic conditions indicate that none of the factors exist that could be indicative of substantial doubt over the going concern."[353] Meeting minutes between Mr. Pohlman and senior bank leaders showed they had discussed concerns regarding the changes in the venture capital industry, for instance, during a September 2022 meeting in which Mr. Pohlman discussed the "cooling in the economy" and the "impact of the current economic environment in the innovation economy" with the bank's CEO.[354] Mr. Pohlman had also sent and received articles from colleagues that discussed challenges with the venture capital industry, such as a January 2023 article from the *San Francisco Business Times* entitled, "Why an analyst says SVB may be betting on the wrong horse," which detailed the structural decline in the venture capital industry that the bank catered to.[355] Mr. Pohlman had discussed the impact of interest rates on the venture capital industry with the bank's CEO, and other KPMG auditors flagged these issues internally in the days before KPMG signed off on Silicon Valley Bank's 2022 audit.[356] In determining whether the bank was exposed to volatility in the venture capital industry, Mr. Pohlman told the Subcommittee, he "didn't feel in the context of this question that it warranted a yes response."[357] Therefore, KPMG did not identify that the bank had "significant operations exposed to volatile markets."[358]

4. "[A] fundamental and significant change in the industry in which the entity operates"

Within the category of risks related to "Industry factors," the going concern workpaper asked: "Over the last 12 months has there been a fundamental and significant change in the

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[353] *Id*.

[354] Q2'22 Meeting between Greg Becker, CEO, Silicon Valley Bank, and KPMG, KPMG-SVB-PSI-WP-0000056560 (on file with the Subcommittee); *see* Q3'22 Meeting between Greg Becker, CEO, Silicon Valley Bank, and KPMG, KPMG-SVB-PSI-WP-0000057926 (on file with the Subcommittee); Q1'22 Meeting between Dan Beck, CFO, Silicon Valley Bank, and KPMG, KPMG-SVB-PSI-WP-0000055276 (on file with the Subcommittee).

[355] Mark Calvey, *Why a Prominent Bank Analyst Thinks SVB May Be Betting on the Wrong Economic Horse*, SAN FRANCISCO BUS. TIMES (Jan. 11, 2023), https://www.bizjournals.com/sanfrancisco/news/2023/01/11/svb-financial-silicon-valley-bank-dick-bove-sivb.html; Internal KPMG Email Communications (Jan. 12, 2023), KPMG-SVB-PSI-0000072019 (on file with the Subcommittee).

[356] Q2'22 Meeting between Greg Becker, CEO of Silicon Valley Bank, and KPMG, KPMG-SVB-PSI-WP-0000056560 (on file with the Subcommittee); Q3'22 Meeting between Greg Becker, CEO, Silicon Valley Bank, and KPMG, KPMG-SVB-PSI-WP-0000057926 (on file with the Subcommittee); Q1'22 Meeting between Dan Beck, CFO, Silicon Valley Bank, and KPMG, KPMG-SVB-PSI-WP-0000055276 (on file with the Subcommittee); Internal KPMG Email Communications (Jan. 12, 2023), KPMG-SVB-PSI- 0000072019 (on file with the Subcommittee); Mark Calvey, *supra* note 355.

[357] *See* PSI Interview with Jack Pohlman, Audit Partner, KPMG (Aug. 25, 2025).

[358] *See* Going Concern - Identification of Events or Conditions - Required Work Paper (10/20), (on file with the Subcommittee) KPMG-SVB-PSI-WP-0000006105.

industry in which the entity operates?"[359] KPMG represented that it had not identified this risk, despite the fact that the venture capital and technology industry was undergoing profound turmoil in 2022 and early 2023.[360]

Figure 6: Silicon Valley Bank Going Concern Analysis Factor: Industry Factors

Based on our understanding and findings from performing the above procedures, indicate whether we have identified any of the following events or conditions.	
Event or condition Certain questions below refer to the applicable forward looking assessment period. This refers to the forward looking period as determined by the applicable financial reporting framework and relevant auditing standard. For example, under ISAs and IFRS, the relevant period would be "at least 12 months from the date of the financial statements" and under US GAAS or PCAOB standards and FASB standards, the relevant period would generally be "one year from the date the financial statements are issued or available to be issued."	Event or condition identified?
Industry factors Over the last 12 months has there been a fundamental and significant change in the industry in which the entity operates?	No

Source: KPMG Silicon Valley Bank 2022 Year-End Audit Workpaper "Going Concern – Identification of Events or Conditions" (Feb. 23, 2023), KPMG-SVB-PSI-WP-0000006105 (on file with the Subcommittee).

Industry factors Over the last 12 months has there been a fundamental and significant change in the industry in which the entity operates?	**No**

The Federal Reserve reported that Silicon Valley Bank's "client base was heavily concentrated in venture capital-backed (VC-backed) and early-stage start-up firms."[361] Similarly, KPMG described Silicon Valley Bank to the Subcommittee as "mostly concentrated in California within the venture capital and private equity industry."[362] Despite KPMG's representation in the going concern workpaper that it was not aware of any changes to the industry that SVB operated in, Mr. Pohlman acknowledged that he was "aware of the venture capital pullback in the industry."[363] Indeed, KPMG had reviewed meeting minutes for an October 2022 board meeting in which an executive reported on a "slowdown in [Silicon Valley Bank's] deposit growth creating an acute issue in venture capital investments as the entire ecosystem was slowing down in response to macro volatility."[364] The day before Mr. Pohlman signed off on the going concern workpaper, he shared an article widely with colleagues at KPMG that noted the bank was "being rocked as tech start-ups face the biggest

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[359] *Id.*

[360] *See id.*; *Silicon Valley Bank Profit Squeeze in Tech Downturn Attracts Short Sellers,* FIN. TIMES (Feb. 22, 2023) https://www.ft.com/content/0387e331-61b4-4848-9e50-04775b4c3fa7.

[361] *See generally* Bd. Governors Fed. Rsrv. Sys., *supra* note 1, at 18.

[362] PSI Interview with Senior Audit Manager for Silicon Valley Bank engagement team, KPMG (Jan. 26, 2024) at 22.

[363] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 128.

[364] Silicon Valley Bank, Joint Risk and Finance Committees Meeting Minutes (Oct. 19, 2022), FRB-SVB-PSI-000831 at 832 (on file with the Subcommittee); *see* PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 127.

collapse in their value since the dotcom bubble burst in the early 2000s."[365] KPMG's awareness is particularly concerning as these issues later proved to be relevant to the collapse of the bank.[366] In its review of Silicon Valley Bank's collapse, the Federal Reserve identified the bank as an outlier due to the extent to which it was impacted by its "highly concentrated business model" catering to the venture capital industry, which suffered widespread decline in the months leading up to its collapse.[367] KPMG acknowledged the shifting economic reality of the venture capital industry in 2023 and had reviewed board meeting minutes showing leadership's awareness of the risks these changes posed to the bank.[368] Mr. Pohlman reiterated that "in the context of this question," KPMG made the appropriate designation by not identifying "fundamental and significant changes" in the venture capital industry the day before issuing the bank's audit.[369] Therefore, KPMG did not identify a "fundamental and significant change in the industry in which the entity operates."[370]

5. "[R]egulatory inquiries or investigations into the entity's operations or financial reporting"

In representing that KPMG did not identify any risks in the category for "Legal and Regulatory," the firm also represented that it was not aware of "Regulatory inquiries or investigations into the entity's operations or financial reporting."[371] This finding stood in contrast to evidence that the Federal Reserve and the California Department of Financial Protection and Innovation were pursuing numerous inquiries into what the regulators described as the bank's "foundational weaknesses," including a pending enforcement action.[372]

[365] *See e.g.*, Internal KPMG Email Communications (Feb. 22, 2023), KPMG-SVB-PSI-0000029030 (on file with the Subcommittee); Internal KPMG Email Communications (Feb. 22, 2023), KPMG-SVB-PSI-0000040289 (on file with the Subcommittee); Internal KPMG Email Communications (Feb. 22, 2023), KPMG-SVB-PSI-0000045153 (on file with the Subcommittee); Internal KPMG Email Communications (Feb. 22, 2023), KPMG-SVB-PSI-0000045682 (on file with the Subcommittee); Internal KPMG Email Communications (Feb. 22, 2023), KPMG-SVB-PSI-0000029315 (on file with the Subcommittee); Tabby Kinder et al., *supra* note 77.

[366] *See generally* Bd. Governors Fed. Rsrv. Sys., *supra* note 1.

[367] *Id*. at 2.

[368] *See* Silicon Valley Bank, Joint Risk and Finance Committees Meeting Minutes (Oct. 19, 2022), FRB_SVB_PSI_000831 (on file with the Subcommittee).

[369] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Aug. 25, 2025).

[370] Going Concern - Identification of Events or Conditions - Required Work Paper (10/20), KPMG-SVB-PSI-WP-0000006105 at 6105 (on file with the Subcommittee).

[371] *Id*.

[372] *See* Fed. Rsrv. Bank San Francisco, Meeting Summary, Quarterly RCM Meeting with KPMG (Apr. 19, 2022), FRB_SVB_PSI_000012 at 14 (on file with the Subcommittee).

Figure 7: Silicon Valley Bank Going Concern Analysis Factor: Legal and Regulatory

Based on our understanding and findings from performing the above procedures, indicate whether we have identified any of the following events or conditions.	
Event or condition Certain questions below refer to the applicable forward looking assessment period. This refers to the forward looking period as determined by the applicable financial reporting framework and relevant auditing standard. For example, under ISAs and IFRS, the relevant period would be "at least 12 months from the date of the financial statements" and under US GAAS or PCAOB standards and FASB standards, the relevant period would generally be "one year from the date the financial statements are issued or available to be issued."	Event or condition identified?
Legal and regulatory Over the last 12 months have there been: - changes in law or regulation or government policy that may have a significant adverse affect on the entity? - non-compliance with capital or other statutory or regulatory requirements, such as solvency or liquidity requirements for financial institutions? - regulatory inquiries or investigations into the entity's operations or financial reporting?	No

Source: KPMG Silicon Valley Bank 2022 Year-End Audit Workpaper "Going Concern – Identification of Events or Conditions" (Feb. 23, 2023), KPMG-SVB-PSI-WP-0000006105 (on file with the Subcommittee).

Legal and Regulatory Over the last 12 months have there been: - Changes in law or regulation or government policy that may have a significant adverse effect on the entity? - Non-compliance with capital or other statutory or regulatory requirements, such as solvency or liquidity requirements for financial institutions? - Regulatory inquiries or investigations into the entity's operations or financial reporting?	**No**

Throughout the 2022 audit period, the bank was subject to ongoing regulatory inquiries regarding its governance and risk management practices.[373] On March 14, 2022, the Federal Reserve initiated a targeted examination of Silicon Valley Bank concerning its governance and risk management.[374] On May 31, 2022, after concluding the targeted examination, the regulator issued a supervisory letter requiring the bank to improve its "board effectiveness," "risk management program," and "internal audit effectiveness."[375] The regulator had communicated the underlying concerns with the bank's risk management to KPMG both before it issued the letter and again after the fact.[376]

In its May 2022 supervisory letter, the Federal Reserve said: "The deficiencies in [internal audit's] processes and reporting negatively affected [the bank's] ability to provide timely, independent assurance that the firm's risk management, governance, and internal controls were operating effectively."[377] The regulatory scrutiny of the bank's governance continued,

[373] *See* Bd. Governors Fed. Rsrv. Sys., *supra* note 1, at 47-48.
[374] *Id*. at 41.
[375] *Id*. at 48.
[376] Fed. Rsrv. Bank San Francisco, Meeting Summary, Quarterly RCM Meeting with KPMG (Jan. 17, 2023), FRB_SVB_PSI_000022 (on file with the Subcommittee); Fed. Rsrv. Bank San Francisco of San Francisco, Meeting Summary, Quarterly RCM Meeting with KPMG (Apr. 19, 2022), FRB_SVB_PSI_000012 at 13 (on file with the Subcommittee).
[377] Bd. Governors Fed. Rsrv. Sys., *supra* note 1, at 48.

and, on August 17, 2022, the Federal Reserve sent a follow-up supervisory letter stating its intent to escalate to an enforcement action.[378] KPMG confirmed to the Federal Reserve during a quarterly meeting on January 17, 2023, that it had received the supervisory letters the regulator had sent to the bank.[379] Ultimately, the bank failed before the regulator initiated an enforcement action.[380] However, the looming enforcement action had the potential to stress the bank at a particularly vulnerable time.[381] Beyond monetary penalties, enforcement actions often force banks to change their business models and carry serious reputational risks.[382] Despite frequent interactions with the Federal Reserve in which KPMG received updates about the regulator's ongoing inquiries into the bank's risk and internal audit functions, including a pending enforcement action, KPMG did not identify "Regulatory inquiries or investigations into the entity's operations or financial reporting."[383] Mr. Pohlman told the Subcommittee that "in the context [of the question], the response is correct."[384]

6. "[S]hare price declined by more than 20% over the last 12 months"

Within the category "For listed entities," the going concern workpaper asked: "Has the entity's share price declined by more than 20% over the last 12 months."[385] KPMG represented that it had not identified this risk.[386] In his interview, Mr. Pohlman acknowledged that KPMG's finding was factually inaccurate, but attributed this discrepancy to a "documentation error."[387]

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[378] U.S. Gov't Accountability Off., GAO-23-106736, Bank Regulation: Preliminary Review of Agency Actions Related to March 2023 Bank Failures, at 22 (Apr. 2023), https://www.gao.gov/assets/gao-23-106736.pdf.

[379] Summary from Quarterly RCM Meeting between Fed. Rsrv. Bank of San Francisco and KPMG (May 19, 2025), FRB_SVB_PSI_000022 at 23 (on file with the Subcommittee).

[380] U.S. Gov't Accountability Off., *supra* note 378, at 17, 22-23.

[381] *See* John Pereira, et al., *Enforcement Actions, Market Movement and Depositors' Reaction: Evidence from the US Banking System,* (Apr. 13, 2019) Springer Nature, https://link.springer.com/article/10.1007/s10693-019-00313-9 at 144-46.

[382] *See id*.

[383] *See* Going Concern - Identification of Events or Conditions - Required Work Paper (10/20), KPMG-SVB-PSI-WP-0000006105 (on file with the Subcommittee).

[384] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Aug. 25, 2025).

[385] Going Concern - Identification of Events or Conditions - Required Work Paper (10/20), KPMG-SVB-PSI-WP-0000006105 at 6105 (on file with the Subcommittee).

[386] *See id*.

[387] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Aug. 25, 2025).

Figure 8: Silicon Valley Bank Going Concern Analysis Factor: For Listed Entities

Based on our understanding and findings from performing the above procedures, indicate whether we have identified any of the following events or conditions.	
Event or condition Certain questions below refer to the applicable forward looking assessment period. This refers to the forward looking period as determined by the applicable financial reporting framework and relevant auditing standard. For example, under ISAs and IFRS, the relevant period would be "at least 12 months from the date of the financial statements" and under US GAAS or PCAOB standards and FASB standards, the relevant period would generally be "one year from the date the financial statements are issued or available to be issued."	**Event or condition identified?**
For listed entities Has the entity's share price declined by more than 20% over the last 12 months? (If not a listed entity, answer No)	No

Source: KPMG Silicon Valley Bank 2022 Year-End Audit Workpaper "Going Concern – Identification of Events or Conditions" (Feb. 23, 2023), KPMG-SVB-PSI-WP-0000006105 (on file with the Subcommittee).

For listed entities Has the entity's share price declined by more than 20% over the last 12 months? (If not a listed entity, answer No)	**No**

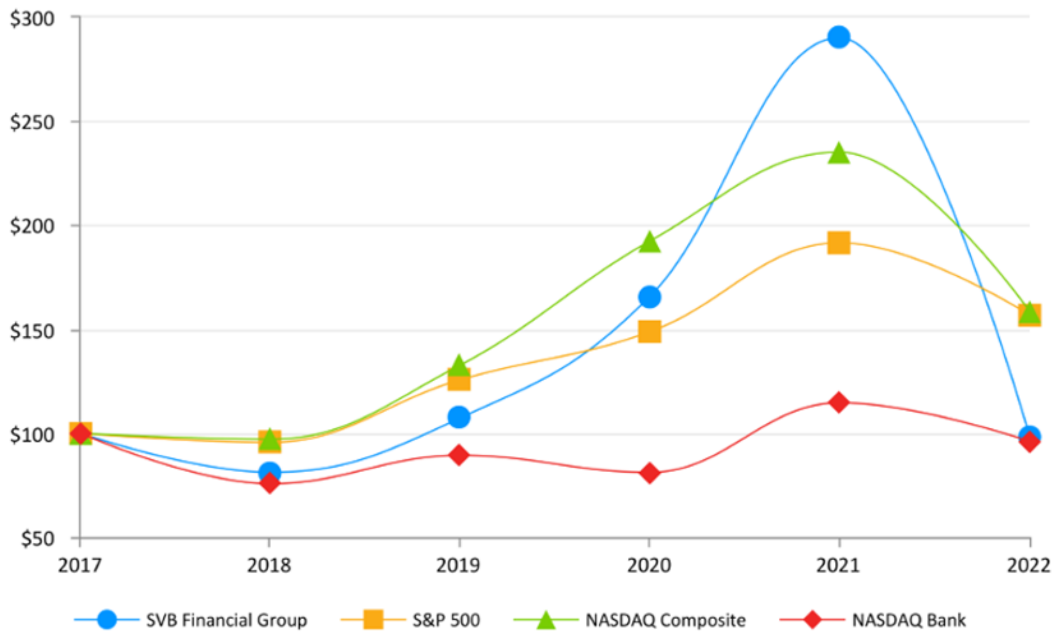
As part of its procedures for closing out Silicon Valley Bank's 2022 audit, KPMG reviewed successive drafts of the bank's full 10-K, which included a record of the bank's share price for year-end 2022 and 2021.[388] According to the drafts of Silicon Valley Bank's 10-K reviewed by KPMG, the bank's share price had declined from $290.13 on December 31, 2021 to $98.45 on December 31, 2022, a decline of approximately 66 percent over the course of the 2022 audit period.[389]

[388] *See* Internal KPMG Email Communications (Jan. 30, 2023) KPMG-SVB-PSI-0000043759 (on file with the Subcommittee) (transmitting drafts of Silicon Valley Bank's 10-Ks).

[389] KPMG Draft of Silicon Valley Bank 2022 10-K Form, KPMG-SVB-PSI-0000043761 at 43799 (on file with the Subcommittee).

Figure 9: Excerpt from Silicon Valley Bank Draft 2022 Form 10-K Regarding End-of-Year Stock Price

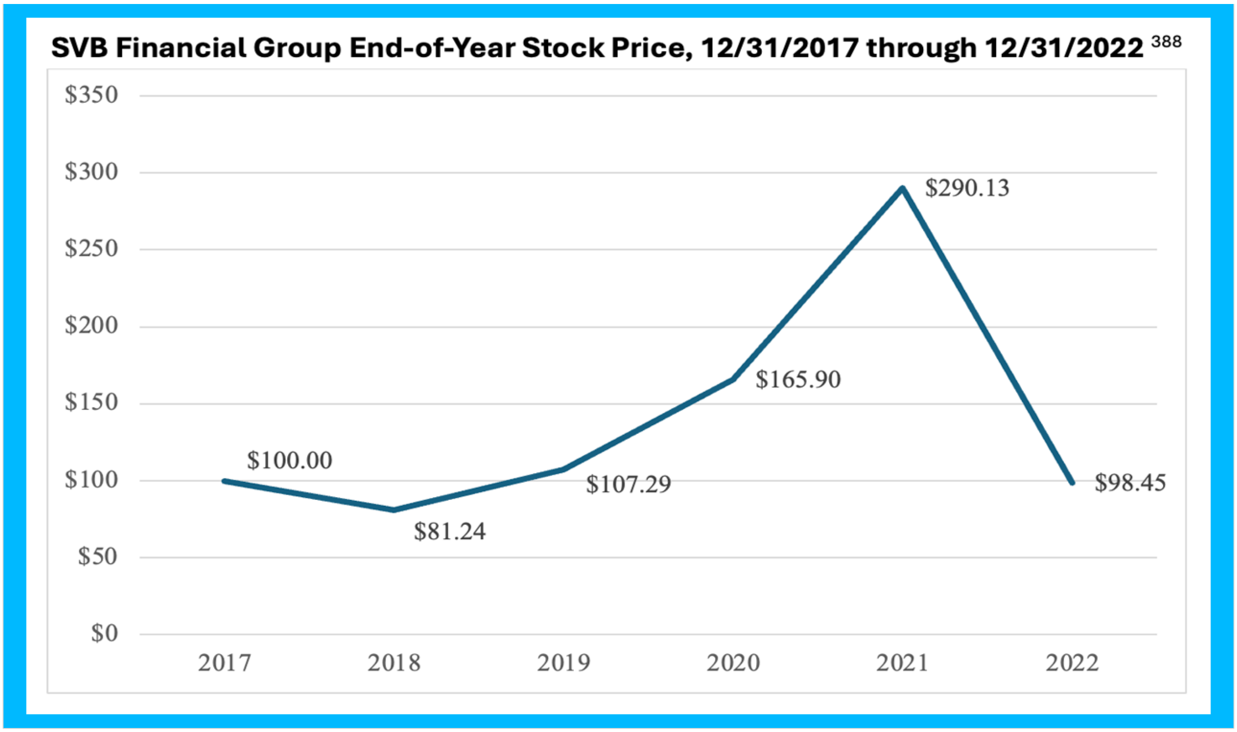
Comparison of 5 Year Cumulative Total Return*



* $100 invested on 12/31/17 in stock or index, including reinvestment of dividends.
Fiscal year ended December 31st.

	December 31,					
	2017	2018	2019	2020	2021	2022
SVB Financial Group	$ 100.00	$ 81.24	$ 107.39	$ 165.90	$ 290.13	$ 98.45
S&P 500	100.00	95.62	125.72	148.85	191.58	156.89
NASDAQ Composite	100.00	97.16	132.81	192.47	235.15	158.65
NASDAQ Bank	100.00	75.78	89.41	81.19	114.69	96.14

ITEM 6. [Reserved]



Source: Draft of Silicon Valley Bank 2022 Form 10-K, attachment to internal KPMG email, at 164 (Feb. 9, 2023), KPMG-SVB-PSI-0000043761 at 43799 (on file with the Subcommittee).

The bank's declining stock price was a high priority for bank leadership.[390] According to December 2022 meeting minutes, the bank's board of directors asked bank management to consider how to counter the potential for "shareholder activism" due to "the current environment and recent stock price performance."[391] Outside the audit, the bank's declining share price was noted by market analysts as a risk prior to KPMG's completion of the bank's 2022 audit.[392] The day before Mr. Pohlman signed off on the going concern workpaper, he had emailed a *Financial Times* article to KPMG's Chief Operating Officer and numerous other

[390] Silicon Valley Bank, Risk Committee Meeting Minutes (Dec. 16, 2022), FRB_SVB_PSI_000859 at 862 (on file with the Subcommittee).

[391] *Id*.

[392] Tabby Kinder et al., *supra* note 77. On July 25, 2025, KPMG told the Subcommittee: "The assessments of equity analysts were consistent with a forward-looking assessment that the bank's headwinds were temporary and did not change the fundamental nature of the business… Far from forecasting the bank's failure over the next year, analysts believed that its stock price would continue to perform in line with or exceed the market's performance." Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, Appendix A, at 39-40 (July 25, 2025) (on file with the Subcommittee) (citing Barclays, Equity Research, SVB Financial Group (Oct. 11, 2022); RBC Capital Markets, Equity Research Quick Take, SVB Financial Group (Dec. 6, 2022), 1; J.P. Morgan, North American Equity Research, SVB (Jan. 20, 2023) (emphasis in original), 1; Barclays, Equity Research, SVB Financial Group (Jan. 20, 2023), 1, 10; Barclays, Equity Research, SVB Financial Group (Feb. 26, 2023), 1, 17).

senior executives at the firm which detailed how Silicon Valley Bank's stock had dropped by 50% in the prior year.[393]

The decline in stock value likely had an impact on the bank's trajectory leading to its failure.[394] In March 2025, research published by the Federal Reserve concluded that the collapse of Silicon Valley Bank, as well as Signature Bank and First Republic Bank, was not, in fact, a rapid and unforeseeable crisis, but that "their deposit outflows and stock price depreciation were orders of magnitude worse than those of other regional banks."[395] According to that analysis, the deep and prolonged decline in stock price primed the market for the rapid withdrawals that occurred at Silicon Valley Bank and others in March 2023.[396] KPMG observed the severe drop in the bank's stock price over the previous year by reviewing drafts of its 10-K prior to completing the 2022 audit.[397]

Moreover, the audit team flagged concerns with the bank's financial performance internally prior to the completion of the 2022 audit.[398] Regarding the decline in the bank's stock price in 2022, Mr. Pohlman acknowledged: "There was a documentation error... it should have been marked as 'yes.'"[399] The Subcommittee asked why not identifying the bank's declining stock price constituted a documentation error, while not identifying that the bank was exposed to the volatility in the venture capital industry was appropriate.[400] Mr. Pohlman responded: "The decline in the stock price was obvious and well-documented. As for the volatility in the venture capital in private equity, we felt the company's financial results were consistent and didn't raise substantial doubt."[401] Ultimately, KPMG did not identify that the bank's "share price declined by more than 20% over the last 12 months."[402]

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[393] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2025) at 69; Tabby Kinder et al., *supra* note 77. *See e.g.*, Internal KPMG Email Communications (Feb. 22, 2023), KPMG-SVB-PSI-0000029315 (on file with the Subcommittee).

[394] *See* Steven Kelly & Jonathan Rose, *Rushing to Judgment and the Banking Crisis of 2023*, FED. RSRV. BANK CHI., (Mar. 2025), 4, https://www.chicagofed.org/-/media/publications/working-papers/2025/wp2025-04.pdf.

[395] *Id*.

[396] *See id*. at 25-30.

[397] *See* KPMG Internal Email Communications (Jan. 30, 2023), KPMG-SVB-PSI-0000043759 (on file with the Subcommittee)

[398] *See* KPMG Internal Email Communications (Feb. 22, 2023), KPMG-SVB-PSI-0000029315 (on file with the Subcommittee) (citing Tabby Kinder et al., *supra* note 77).

[399] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Aug. 25, 2025).

[400] *Id*.

[401] *Id*.

[402] *See* Going Concern - Identification of Events or Conditions - Required Work Paper (10/20), KPMG-SVB-PSI-WP-0000006105 at 6105 (on file with the Subcommittee).

ii. *KPMG Ultimately Represented That "None of the Factors Exist That Could be Indicative of Substantial Doubt Over the Going Concern" of Silicon Valley Bank*

Mr. Pohlman told the Subcommittee that KPMG had evaluated the bank's ability to continue as a going concern as of the release of the financial statement on February 24, 2023.[403] The day before, February 23, he had signed off on the bank's going concern workpaper, which stated, "none of the factors exist that could be indicative of substantial doubt over the going concern" of Silicon Valley Bank.[404] The February 23 going concern workpaper was one of the final steps KPMG took before signing its 2022 audit and sending it to Silicon Valley Bank for inclusion in the bank's 2022 financial statement, issued on February 24.[405] KPMG's approach, wherein the lead audit partner cited the "context" of each question to justify not documenting the existence of at least six known concerns in this final workpaper, represented a missed opportunity that the auditor had to analyze threats to the bank's continued function.[406] Hindsight indicates that some of these known concerns contributed to the bank's failure.[407] It is not clear whether a higher level of review of these risks would have changed the course of the bank's ultimate collapse, but KPMG's failure to even acknowledge the existence of these risks meant that it stopped short of thoroughly analyzing known key factors regarding the health of the bank.

This apparently superficial review mirrors longstanding criticisms that auditors conduct audits as a "check-the-box" exercise "that focuses on minutiae that are unlikely to affect the financial statements."[408] While the bank run that culminated in the failure of Silicon Valley Bank was swift, the bank's struggles to reposition its business model during a period of rising interest rates and its poor stock performance over the prior year predisposed its depositors and investors to be wary.[409] While some of these risks were known to the public, many others

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[403] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 73.

[404] Going Concern Evaluation – Overall Response, KPMG-SVB-PSI-WP-0000032362 (on file with the Subcommittee).

[405] *See* 2.4.1.20.Going Concern Checklist - CAO, KPMG-SVB-PSI-WP-0000006107 (on file with the Subcommittee) (showing sign-off on Feb. 23, 2023); Email from Senior Audit Manager, KPMG to Chief Financial Officer, Silicon Valley Bank (Feb. 24, 2023) KPMG-SVB-PSI-0000001858 at 1858 (on file with the Subcommittee) (communicating completion of the audit to the bank).

[406] *See* PSI Interview with Jack Pohlman, Audit Partner, KPMG (Aug. 25, 2025). On July 25, 2025, KPMG told the Subcommittee: "the absence of reference to substantial doubt in an auditor's report *should not be viewed as providing assurance* as to an entity's ability to continue as a going concern." Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, Appendix A, 27 (July 25, 2025) (citing Auditing Standard 2415) (emphasis in original) (on file with the Subcommittee).

[407] *See* Bd. Governors Fed. Rsrv. Sys., *supra* note 1, at 4, 21-25.

[408] Testimony from William J. McDonough, Chairman, Pub. Co. Acct. Oversight Bd., to H. Comm. Fin. Servs. (Apr. 21, 2005), 10, https://financialservices.house.gov/media/pdf/042105wm.pdf.

[409] *See* Steven Kelly & Jonathan Rose, *Rushing to Judgment and the Banking Crisis of 2023*, FED. RSRV. BANK CHI. (Mar. 2025), 25-27, 32-38, https://www.chicagofed.org/-/media/publications/working-papers/2025/wp2025-04.pdf.

would only be revealed by subsequent analysis.[410] KPMG was in a unique position to see all of these risks unfold in real time. According to the PCAOB, the requirement for auditors to conduct a going concern analysis of their client determines whether the auditor discloses any risk that the company cannot "continue to meet its obligations as they become due without substantial disposition of assets outside the ordinary course of business, restructuring of debt, externally forced revisions of its operations, or similar actions."[411] Ultimately, all of these damaging outcomes came to pass at great cost to the bank's investors, who, unlike depositors, were never made whole.[412] While the Subcommittee cannot conclude what would have resulted had KPMG conducted a thorough going concern analysis, it is striking that it did not, at a minimum, identify several risks listed in its own going concern workpaper.

d. KPMG Signed a Comfort Letter with Outdated Financial Data for Silicon Valley Bank's Emergency Fundraising in the Hours Before the Bank Run That Led to Its Collapse

KPMG provided accounting guidance to Silicon Valley Bank related to its efforts to raise capital in the months before it collapsed, including available paths to monetize its HTM portfolio.[413] For Silicon Valley Bank to sell the entirety of its AFS assets would mean that the only assets left to sell to generate additional capital would be those classified as HTM.[414] Under HTM accounting rules, once an entity sells any assets classified as HTM, all other assets would lose their HTM classification.[415] Doing so in March 2023 would have functionally cemented a $15 billion loss on Silicon Valley Bank's balance sheet.[416] Prior to

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[410] *See id*.

[411] Pub. Co. Acct. Oversight Bd., *AS 2415: Consideration of an Entity's Ability to Continue as a Going Concern*, https://pcaobus.org/oversight/standards/auditing-standards/details/AS2415 (last visited Sept. 9, 2025).

[412] *See* Michael Evans, *What Happened to Silicon Valley Bank?*, INVESTOPEDIA (Mar. 31, 2025), https://www.investopedia.com/what-happened-to-silicon-valley-bank-7368676.

[413] *See* PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 49, 66. Throughout the audit, KPMG provided guidance to Silicon Valley Bank management on potential transactions. *See* Audit Plan & Fee Approval Requests Committee, *supra* note 213; SVB Financial Group Discussion with the Audit Committee, *Risk Assessment: Significant Risks (changes to audit plan)*, KPMG (Jan. 17, 2023), KPMG-SVB-PSI-WP-0000023000 at 23020 (on file with the Subcommittee). In a January 2023 presentation to the bank's board of directors under a subheading titled, "Accounting and reporting impacts of transactions," KPMG wrote that over the course of the audit, it "involved [] subject matter experts to provide insights and perspectives to management on a number of potential SVB Financial Group transactions." *Id.* On July 25, 2025, KPMG told the Subcommittee: "Independent auditors may not perform any decision-making, supervisory, or ongoing monitoring function for an audit client." Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, Appendix A, 6 (July 25, 2025) (on file with the Subcommittee) (citing SEC Rule 2-01(c)(4) of Regulation S-X, 17 C.F.R. 210.2-01 (c)(4); *see also* Section 10A(g) of the Securities Exchange Act of 1934, 15 U.S.C. 78j-1(g)).

[414] Michael J. Walker, *supra* note 84, at 4-5.

[415] *Id*.

[416] *See id*.

the collapse of Silicon Valley Bank, bank executives explored multiple paths to raise additional funds, including issuing new shares of stock and borrowing against their HTM portfolio.[417]

KPMG provided guidance to the bank as it explored various available paths to monetize its HTM portfolio during this critical time. In October 2022, five months before Silicon Valley Bank collapsed, KPMG informed the Federal Reserve during a quarterly meeting that it would discuss a reclassification of HTM assets as AFS with bank management under a one-time transfer allowed by accounting standards.[418] In an interview with the Subcommittee, Mr. Pohlman characterized Silicon Valley Bank's planned HTM transactions as "not an uncommon activity amongst financial institutions" and indicated that he trusted Silicon Valley Bank's assertion at the time that it was not seeking to generate emergency liquidity.[419] Mr. Pohlman told the Subcommittee he believed Silicon Valley Bank ultimately chose to not pursue the transfer in late 2022 to avoid "potential negative investor reaction."[420] KPMG continued to provide guidance to bank executives on an effort to pledge its HTM assets for a repurchase agreement up until the afternoon of March 9, 2023.[421] According to Mr. Pohlman, the bank failed before the conclusion of the discussion.[422]

In addition to providing guidance to Silicon Valley Bank as it explored how to monetize its HTM assets, KPMG also drafted a comfort letter in the days before the bank collapsed.[423] Clients often request that an auditor draft a comfort letter as part of a fundraising to demonstrate that the underwriter executed a reasonable investigation of the company's

[417] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 66, 129.

[418] Fed. Rsrv. Bank of San Francisco, Meeting Summary (May 19, 2020), FRB_SVB_PSI_000019 (on file with the Subcommittee); *see* Lorenzo Migliorato & Joshua Walker, *US Banks Seize Chance to Transfer Securities from HTM to AFS,* RISK.NET (Apr. 17, 2023), https://www.risk.net/risk-quantum/7956502/us-banks-seize-chance-to-transfer-securities-from-htm-to-afs.

[419] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 44-45.

[420] *Id.* at 60.

[421] On March 2, 2023, Silicon Valley Bank employees reached out to Mr. Pohlman and other KPMG employees to inform them of a planned repurchase agreement and to inquire if KPMG had any "questions and/or concerns." KPMG and Silicon Valley Bank Emails between Silicon Valley Bank employees, Jack Pohlman, and Senior Audit Manager for Silicon Valley bank engagement team (Mar. 2-9, 2023), KPMG-SVB-PSI-0000003172 (on file with the Subcommittee). On July 25, 2025, KPMG told the Subcommittee that the proposed repurchase agreement was not for emergency capital, as "bank personnel informed KPMG" that the bank planned on pledging HTM securities to satisfy Regulation WW and Regulation YY in response to feedback from the Federal Reserve. Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, Appendix A, 42 (July 25, 2025) (on file with the Subcommittee).

[422] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 48.

[423] KPMG Invoice #: 8004672114 to SVB Financial Group, (Mar. 9, 2023) KPMG-SVB-PSI-0000045612 at 45617 (on file with the Subcommittee).

financial condition.[424] In this instance, KPMG drafted a comfort letter as part of an effort by Goldman Sachs to issue additional stock on behalf of Silicon Valley Bank.[425]

On March 3, 2023, KPMG began work on the comfort letter as part of what Goldman Sachs—the "bookrunner" responsible for leading all aspects of underwriting the fundraising—named "Project Sierra."[426] According to Goldman Sachs's presentation for Project Sierra, if all had gone to plan, the investment bank would have approached select investors with the offering on Tuesday, March 7, launched the deal on Wednesday, March 8, and publicly marketed the offering on Thursday, March 9.[427] The KPMG team continued working on the comfort letter throughout the weekend of March 4 and March 5.[428] The comfort letter defined the period of its review as being from January 1, 2023 to February 28, 2023, stating that bank officials had represented to KPMG "that no such financial information as of any date or for any period subsequent to February 28, 2023 was available."[429] KPMG auditors further stated in their workpapers:

> Based on the review of the financial information for the period from December 31, 2022, to February 28, 2023 within the context discussed above, the engagement team did not become aware of an event that occurred subsequent to our opinion over the audited financial statements that would have a material effect on the audited financial statements.[430]

KPMG workpapers include a signed draft of a comfort letter for the bank's fundraising, completed March 9, 2023.[431] Mr. Pohlman told the Subcommittee that KPMG signed the comfort letter as an "administrative exercise" but would not have issued it in light of the bank run.[432] Notably, Silicon Valley Bank management, not KPMG, made the decision to cease

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[424] *See* Cornell L. Sch. Legal Info. Inst., *supra* note 192.

[425] Goldman Sachs, *Project Sierra Kick-Off Materials: Preliminary Offering Overview* (Mar. 3, 2023), KPMG-SVB-PSI-0000065342 at 65346 (on file with the Subcommittee).

[426] *Id.*; SVB Financial Group, Strategic Actions/Q1'23 Mid-Quarter Update (Mar. 8, 2023), https://s201.q4cdn.com/589201576/files/doc_downloads/2023/03/Q1-2023-Mid-Quarter-Update-vFINAL3-030823.pdf.

[427] Goldman Sachs, *supra* note 425.

[428] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 66.

[429] Letter from KPMG to SVB Financial Board of Directors and Goldman Sachs (Mar. 9, 2023), KPMG-SVB-PSI-0000045965 at 45966 (on file with the Subcommittee).

[430] KPMG SVB Financial Group, Comfort Letter, (Mar. 9, 2023), KPMG-SVB-PSI-WP-0000022480 (on file with the Subcommittee).

[431] Letter from KPMG to SVB Financial Board of Directors and Goldman Sachs (Mar. 9, 2023), KPMG-SVB-PSI-0000045965, at 45969, 58963 (on file with the Subcommittee).

[432] *See* PSI Interview with Jack Pohlman, Audit Partner, KPMG (Aug. 25, 2025).

work on the comfort letter by terminating the fundraising upon determining there was a bank run.[433]

Figure 10: Signed Comfort Letter Included in KPMG Workpapers Dated March 9, 2023

> 10. This letter is solely for the information of the addressees and to assist the underwriters in conducting and documenting their investigation of the affairs of the Company in connection with the offering of the securities covered by the Registration Statement, and it is not to be used, circulated, quoted, or otherwise referred to within or without the underwriting group for any other purpose, including but not limited to the registration, purchase, or sale of securities, nor is it to be filed with or referred to in whole or in part in the Registration Statement or any other document, except that reference may be made to it in the underwriting agreement or in any list of closing documents pertaining to the offering of the securities covered by the Registration Statement. This letter is intended to be used by the underwriters solely in their capacity as underwriters. This letter does not provide any additional assurance or relief to the underwriters to the extent they are an ultimate purchaser of shares.
>
> Very truly yours,
>
> KPMG LLP

Source: Letter from KPMG to SVB Financial Board of Directors and Goldman Sachs (Mar. 9, 2023), KPMG-SVB-PSI-0000045965 at 45969 (on file with the Subcommittee).

Before an auditor can formally issue a comfort letter by emailing it to a client, accounting standards require the auditor to receive a representation letter from their client's management regarding the sufficiency of due diligence conducted on the information provided to the auditor.[434] On March 9, 2023, the KPMG team emailed a draft of a management representation letter to an employee at Silicon Valley Bank to obtain signatures from the necessary bank executives.[435] The bank employee replied, "I will let each exec's admin know these will be coming. . . and they need to be signed asap."[436] KPMG employees worked through the morning and early afternoon to secure signatures from the bank's CEO, CFO, and Chief Accounting Officer.[437] By 2:25pm Pacific Time on March 9, KPMG had not yet

[433] *See id*.

[434] *See* Pub. Co. Acct. Oversight Bd., *AS 6101: Letters for Underwriters and Certain Other Requesting Parties*, https://pcaobus.org/oversight/standards/auditing-standards/details/AS6101 (last visited Sept. 10, 2025).

[435] *See* Silicon Valley Bank & KPMG Emails between Silicon Valley Bank employees and Senior Audit Manager for Silicon Valley Bank Engagement Team (Mar. 9, 2023), KPMG-SVB-PSI-0000083965 (on file with the Subcommittee) [hereinafter SVB-KPMG Emails (Mar. 9, 2023), KPMG-SVB-PSI-0000083965]; Silicon Valley Bank & KPMG Emails between Silicon Valley Bank employees and Senior Audit Manager for Silicon Valley Bank Engagement Team (Mar. 9, 2023), KPMG-SVB-PSI-0000075461(on file with the Subcommittee) [hereinafter SVB-KPMG Emails (Mar. 9, 2023), KPMG-SVB-PSI-0000075461].

[436] SVB-KPMG Emails (Mar. 9, 2023), KPMG-SVB-PSI-0000083965, *supra* note 435.

[437] *See* Silicon Valley Bank & KPMG Emails between Silicon Valley Bank employees and Senior Audit Manager for Silicon Valley Bank Engagement Team (Mar. 9, 2023), KPMG-SVB-PSI-0000012759 (on file with

obtained signatures from the bank's CEO, Greg Becker and CFO, Dan Beck.[438] According to an email from a bank employee to KPMG, the CEO and CFO were unavailable due to "back to back investor meetings."[439]

Mr. Pohlman's correspondence at the time suggests that KPMG knew of Silicon Valley Bank's deteriorating financial condition. The previous evening, Mr. Pohlman emailed KPMG's Chief Operating Officer a news article about the bank's fundraising efforts noting that Moody's had downgraded the bank's credit rating by "one notch," adding, "I think they could have been contemplating a more severe downgrade had SVB's actions not been taken."[440] Mr. Pohlman further noted that the bank's stock had declined approximately 31 percent in the hours since the market closed on the evening of March 8.[441] Beyond the decline in after-market trading, the bank's stock crashed when the markets opened the morning of March 9, as panic spread through the venture capital industry.[442]

The Subcommittee asked Mr. Pohlman whether he had reason to question the language in the comfort letter as of March 9, 2023 as KPMG was pressing for signatures from bank leadership.[443] Mr. Pohlman told the Subcommittee that Silicon Valley Bank never told him "specifically" why they were considering raising capital.[444] He reiterated to the Subcommittee, "I don't recall any sort of time pressure" regarding the bank's fundraising.[445] The Subcommittee asked him if it would have been appropriate to issue a comfort letter on March 9 that included ten-day-old numbers, to which Mr. Pohlman responded, "nobody had knowledge of the outflow of deposits, nor could they have."[446] Mr. Pohlman acknowledged that auditors may ask for updated numbers from their client in some instances, but that for

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the Subcommittee) [hereinafter SVB-KPMG Emails (Mar. 9, 2023), KPMG-SVB-PSI-0000012759]; Silicon Valley Bank & KPMG Emails between Silicon Valley Bank employees and Senior Audit Manager for Silicon Valley Bank Engagement Team (Mar. 9, 2023), KPMG-SVB-PSI-0000014802 (on file with the Subcommittee) [hereinafter SVB-KPMG Emails (Mar. 9, 2023), KPMG-SVB-PSI-0000014802].

[438] *See* SVB-KPMG Emails (Mar. 9, 2023), KPMG-SVB-PSI-0000014802, *supra* note 437.

[439] *See* Silicon Valley Bank & KPMG Emails between Silicon Valley Bank employees and Senior Audit Manager for Silicon Valley Bank Engagement Team (Mar. 9, 2023), KPMG-SVB-PSI-0000014791 (on file with the Subcommittee) *supra* note 437.

[440] Internal KPMG Emails between Jack Pohlman and Laura Newinski (Mar. 8-9, 2023), KPMG-SVB-PSI-0000028448 at 28448 (on file with the Subcommittee).

[441] *Id*.

[442] Candice Choi, *The Banking Crisis: A Timeline of Key Events*, WALL ST. J. (May 11, 2023), https://www.wsj.com/finance/bank-collapse-crisis-timeline-724f6458.

[443] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 77-79.

[444] *Id* at 66.

[445] *Id* at 67.

[446] *Id* at 76.

this fundraising, KPMG used the cutoff for financial data agreed upon with the underwriters.[447]

Noting the sharp decline in the stock price the morning of March 9, the Subcommittee asked Mr. Pohlman whether there was a cutoff in the declining stock price at which point KPMG might ask for updated numbers.[448] Mr. Pohlman replied that while KPMG was monitoring the stock price, there was no hard and fast cutoff.[449] Regardless, Mr. Pohlman told the Subcommittee he would not have issued the comfort letter knowing of the bank run.[450] It was ultimately the bank, not KPMG, that halted the process of drafting the comfort letter in making the decision to terminate the fundraising on March 9.[451]

Ultimately, KPMG never received all necessary signatures for the management representation letter before the bank collapsed. Before KPMG could collect the necessary signatures, Silicon Valley Bank's CFO called Mr. Pohlman in the early afternoon of March 9, 2023 to tell him the bank was no longer pursuing the fundraising because there was a bank run, and to inform him that the bank was considering selling some of its HTM assets.[452] Shortly thereafter, based upon instant messages obtained by the Subcommittee, word traveled through the KPMG team that "the equity raise is not happening," with junior auditors who had been tasked with obtaining signatures from bank executives being told there was no need "to chase them further."[453] The sale of securities to raise emergency capital was never completed, but KPMG's drafting of a comfort letter raises questions as to whether potential investors would have received a fulsome understanding of the bank's financial condition had Project Sierra gone to plan and Goldman Sachs had marketed new shares to the public on March 9.

e. Conclusion

KPMG billed over 40,000 hours and charged Silicon Valley Bank $10.9 million for the work of more than 250 KPMG employees as part of the bank's 2022 audit, a 10 percent increase over

[447] *See* PSI Interview with Jack Pohlman, Audit Partner, KPMG (Aug. 25, 2025).
[448] *See id*.
[449] *See id*.
[450] *See id*.
[451] *See id*.
[452] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 54.
[453] Internal KPMG Communications Silicon Valley Bank employees and Senior Audit Manager for Silicon Valley Bank Engagement Team (Mar. 9, 2023), KPMG-SVB-PSI-0000079804 (on file with the Subcommittee).

2021.[454] At its conclusion, KPMG's 2022 audit of Silicon Valley Bank resulted in an unqualified audit opinion.[455] From the initial scoping of the audit to its issuance, KPMG's audit of Silicon Valley Bank determined that "foundational weaknesses" in the bank's risk management were inconsequential to the bank's financial statement.[456]

Moreover, as part of its formal audit procedures, KPMG did not identify numerous risk factors in the going concern workpaper it completed at the end of the audit.[457] These factors included objective criteria known to KPMG, such as the precipitous decline in the bank's stock price.[458] KPMG failed to acknowledge factors that proved relevant to the bank's failure as it finalized the audit, such as the decline in the value of its HTM portfolio days before the bank's frenzied efforts to raise emergency capital and its ultimate collapse.[459] These failures suggest the auditor conducted its final going concern risk assessment of the bank as a mere afterthought.[460]

KPMG issued an unqualified audit opinion for Silicon Valley Bank just seven days before the auditor began drafting a comfort letter for Goldman Sach's ill-fated fundraising efforts for the bank, which would have involved selling the bank's entire AFS portfolio.[461] According to

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[454] *See* Email from Director, KPMG, to Managing Director, KPMG (Mar. 10, 2023), KPMG-SVB-PSI-0000027784 at 27785 (on file with the Subcommittee). These 250 employees collectively generated approximately 70,000 pages of workpapers over the course of the audit. This reflects the number of documents produced to the Subcommittee and uploaded to its internal shared drive. *See* Letter from Couns. for KPMG to PSI (June 23, 2023) (on file with the Subcommittee). KPMG also charged the bank another $932,293 for "audit-related services," which included assisting with other documentation such as Service Organization Controls ("SOC") attestations, Uniform Single Attestation Program ("USAP") examinations, and preparing the bank in case it needed to file an 8-K "Current Report." KPMG, SVB Financial Group Discussion with the Audit Committee (Feb. 21, 2023), KPMG-SVB-PSI-WP-0000065415 at 65430 (on file with the Subcommittee). Additionally, KPMG charged Silicon Valley Bank $645,000 for tax consulting and preparation services in 2022. *Id.* In addition to these formal engagements, KPMG provided guidance to Silicon Valley Bank management on potential transactions. *See* Audit Plan & Fee Approval Requests Committee, *supra* note 213; SVB Financial Group Discussion with the Audit Committee, *Risk Assessment: Significant Risks (changes to audit plan)*, KPMG (Jan. 17, 2023), KPMG-SVB-PSI-WP-0000023000 at 23020 (on file with the Subcommittee). In a January 2023 presentation to the bank's board of directors under a subheading titled, "Accounting and reporting impacts of transactions," KPMG wrote that over the course of the audit, it "involved [] subject matter experts to provide insights and perspectives to management on a number of potential SVB Financial Group transactions." *Id.*

[455] *See supra* Finding I(a).

[456] Federal Reserve Bank of San Francisco, Meeting Summary, Quarterly RCM Meeting with KPMG (Apr. 19, 2022), FRB_SVB_PSI_000012 at 14; *see* Francine McKenna, *Part 1: Where was KPMG while Silicon Valley Bank, and the rest, were teetering?* THE DIG (May 13, 2023). https://thedig.substack.com/p/where-was-kpmg-while-silicon-valley.

[457] *See supra* Finding I(c).

[458] *See supra* Finding I(c).

[459] *See supra* Finding I(c).

[460] *See supra* Finding I(c).

[461] *See supra* Finding I(c).

analysis published by the Federal Reserve, these fundraising efforts could have potentially led to a tainting of the bank's HTM portfolio, yet KPMG had failed to articulate this decline in its final going concern analysis in the preceding days.[462] The Subcommittee was unable to determine whether a going concern disclosure may have threatened the bank's efforts to raise capital mere days after publishing its financial statement, which the bank had issued after trading hours on a Friday night.[463] When the Subcommittee asked KPMG auditors about these decision points, they relied on a technical view of auditing standards that abdicated them of responsibility for considering the bank's overall risk profile.[464]

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[462] *See supra* Finding I(c); Amanda Blanco, *Signs of SVB's failure likely hidden by obscure 'HTM' accounting designation. Are reforms needed?*, FED. RSRV. BANK BOSTON (Dec. 14, 2023), https://www.bostonfed.org/news-and-events/news/2023/12/silicon-valley-bank-failure-accounting-designation-held-to-maturity-obscure.aspx, (citing Michael J. Walker, *supra* note 84).

[463] SVB Financial Group, Form 10-K, File No. 001-39154 (Feb. 24, 2023), Accepted Feb. 24, 2023, 16:43:08 ET, available at https://www.sec.gov/Archives/edgar/data/719739/000071973923000021/0000719739-23-000021-index.htm.

[464] *See* PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 154; PSI Interview with Lead Audit Partner 1, Partner, KPMG (Jan. 10, 2024) at 9; PSI Interview with Lead Audit Partner 2, Lead Audit Partner, KPMG (Feb. 29, 2024) at 10, 19; PSI Interview with Mike Keehlwetter, Audit Partner, KPMG (Jan. 9, 2024) at 203.

Finding II: Signature Bank

II. *KPMG Appeared to Justify or Disregard Indicators of Compromised Financial Reporting During Its 2022 Audit of Signature Bank*

a. KPMG Identified "Significant Risk of Error [] and Fraud" in Signature Bank's "Allowance for Credit Loss" Associated with the Bank's Commercial Real Estate Portfolio

KPMG began planning Signature Bank's 2022 audit in March 2022 by assessing initial audit risks and making inquiries of management necessary to inform the scope of the work.[465] In May 2022, the KPMG audit team completed a workpaper that documented their understanding of Signature Bank's business model and identified "factors that are significant in directing the activities of the engagement team."[466] This initial workpaper highlighted the role of cryptocurrency related deposits and commercial real estate to the bank.[467] The April 2022 workpaper described the bank's strategy as growing "organically through offering new products" that catered to venture capital and the crypto industry.[468] The workpaper further identified the bank's "primary revenue stream" as being generated by interest on loans on multi-family and commercial real estate and investment securities.[469]

The bank's commercial real estate portfolio was directly implicated by the bank's allowance for credit losses ("ACL").[470] An ACL is an accounting metric used to determine the reserve a bank needs to set aside on its balance sheet to cover estimated losses from loans or other financial assets that may not be repaid.[471] Underreporting an ACL creates the risk of concealing serious financial concerns and misleading investors.[472] Using insufficient audit evidence to calculate a bank's ACL can lead to an enforcement action by the PCAOB for an auditor's failure to exercise due care in the execution of the audit.[473]

See KPMG Presentation to the Signature Bank Examining Committee of the Board of Directors (Aug. 4, 2022), KPMG-SBNY-PSI-WP-0000001001 at 1021 (on file with the Subcommittee); PSI Interview with Mike Keehlwetter, Audit Partner, KPMG (Jan. 9, 2024) at 29-32.

[466] KPMG Signature Bank 2022 Year End Audit Workpaper, KPMG-SBNY-PSI-WP-0000000086 (on file with the Subcommittee) (evaluating audit strategy).

[467] *Id*.

[468] *Id*.

[469] *Id*.

[470] Signature Bank, Annual Report (Form 10-K), 85 (Mar. 1, 2023).

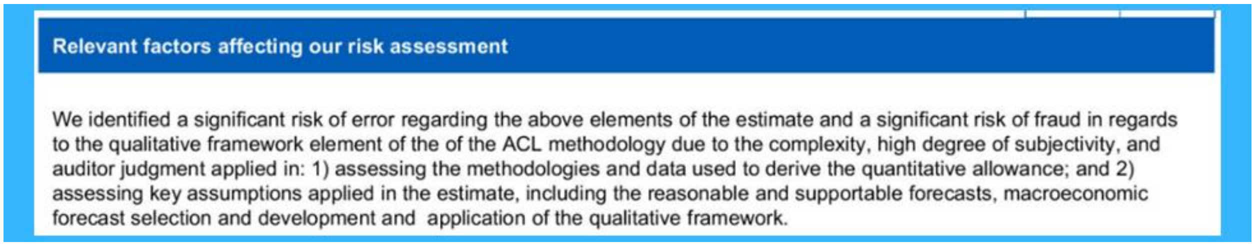
[471] *Credit Losses,* FINANCIAL ACCOUNTING STANDARDS BOARD, https://www.fasb.org/projects/current-projects/credit-losses (last visited Sept. 4, 2025).

[472] *See* Pub. Co. Acct. Oversight Bd., *Spotlight: Auditing Considerations Related to Commercial Real Estate* (May 2024), https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/commercial-real-estate-spotlight.pdf; Fin. Acct. Standards Bd., *Accounting Standards Update: Measurement of Credit Losses on Financial Instruments No. 2016-13* (June 2016), 255, https://www.fasb.org/page/ShowPdf?path=ASU%202016-13.pdf.

[473] *See, e.g.*, *Richard H. Huff, Jr., CPA*, PCAOB No. 105-2019-001 (Feb. 26, 2019), https://pcaobus.org/Enforcement/Decisions/Documents/105-2019-001-Huff.pdf.

In August 2022, KPMG again identified risks of error and fraud with respect to the bank's ACL in a presentation to Signature Bank's board of directors[474]

Figure 11: Excerpt from August 4, 2022 KPMG Presentation to Signature Bank Board of Directors



Relevant factors affecting our risk assessment

We identified a significant risk of error regarding the above elements of the estimate and a significant risk of fraud in regards to the qualitative framework element of the of the ACL methodology due to the complexity, high degree of subjectivity, and auditor judgment applied in: 1) assessing the methodologies and data used to derive the quantitative allowance; and 2) assessing key assumptions applied in the estimate, including the reasonable and supportable forecasts, macroeconomic forecast selection and development and application of the qualitative framework.

Source: KPMG Presentation to the Signature Bank Examining Committee of the Board of Directors (Aug. 4, 2022), KPMG-SBNY-PSI-WP-0000001001 at 1023 (on file with the Subcommittee).

Relevant factors affecting our risk assessment We identified a significant risk of error regarding the above elements of the estimate and significant risk of fraud in regards to the qualitative framework element of the ACL methodology due to the complexity, high degree of subjectivity, and auditor judgment applied in: 1) assessing the methodologies and data use to derive the quantitative allowance; and 2) assessing key assumption and applied in estimate, including the reasonable and supportable forecasts, macroeconomic forecast selection and development and application of the qualitative framework.

KPMG's 2022 audit opinion for Signature Bank included a critical audit matter related to the ACL for the bank's loan portfolio.[475] Critical audit matters are a component of an auditor's opinion that identify areas of the audit that involve especially challenging, subjective, or complex auditor judgment and relate to material accounts or disclosures.[476] Critical audit

[474] KPMG Presentation to the Signature Bank Examining Committee of the Board of Directors (Aug. 4, 2022), KPMG-SBNY-PSI-WP-0000001001 at 1023 (on file with the Subcommittee). The other significant risk identified was that management could override controls over financial reporting and ultimately "prepare fraudulent financial statements," a risk the presentation characterized as "present in all entities." *Id* at 1022. Additionally, KPMG's presentation to the board of directors identified areas the auditor would monitor, including: "Changes to economic environment including inflation, rising interest rates, [and] Fed Policy." *Id* at 1024.

[475] Signature Bank, Annual Report (Form 10-K), 118-19 (Mar. 1, 2023).

[476] *See Implementation of Critical Audit Matters: The Basics*, PUB. CO. ACCT. OVERSIGHT BD. (Mar. 18, 2019), https://assets.pcaobus.org/pcaob-dev/docs/default-source/standards/documents/implementation-of-critical-audit-matters-the-basics.pdf.

matters are often disclosed in the auditor's report for large public companies with the goal of providing investors greater transparency into the auditor's reasoning for the most significant aspects of the audit.[477] Critics have argued, however, that critical audit matters have fallen short of this goal, instead presenting unhelpful, boilerplate technicalities that rarely include useful information to investors.[478] The Subcommittee asked the lead audit partner for the KPMG audit team for Signature Bank's 2022 audit, Mike Keehlwetter, if he believed critical audit matters convey information in a way that average investors can understand.[479] Mr. Keehlwetter replied,

> [W]hen you say, "average investor," I think the average investor's probably buying Vanguard index funds. So, the people that are going to take the time to read a financial report probably have a higher level of financial acumen than the average investor and this might not be out of their league to understand.[480]

The critical audit matter included in KPMG's audit opinion for Signature Bank's 2022 financial statement discussed the factors and assumptions used to calculate the bank's ACL.[481] While the critical audit matter addressed the technical process for assessing the bank's ACL, it did not make a qualitative judgment on the level of risk inherent in the bank's ACL, nor did it identify any evidence that the bank's ACL may not have been calculated correctly.[482] PCAOB standards do not require auditors to provide a qualitative explanation of the level of risk presented by an institution.[483] However, the relevant standard requires auditors to provide contextual information relevant to why an auditor considered an area worthy of inclusion in a critical audit matter.[484]

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[477] *See id*.

[478] *See, e.g.*, Matthew Ege et al., *When Critical Audit Matters (CAMs) are Informative: Evidence from Artificial Intelligence (AI)-benchmarking*, BRETTONWOODS SKI CONFERENCE (Feb. 2025), https://www.brettonwoodsskiconference.com/uploads/b/f9bfc8b0-0251-11ed-a646-3dea17112d2f/When%20Critical%20Audit%20Matters%20are%20Informative.pdf; *Auditors Gear Up for Fight as PCAOB Brings Back Critical Audit Matters to Research Agenda*, Thomson Reuters (Nov. 28, 2023), https://tax.thomsonreuters.com/news/auditors-gear-up-for-fight-as-pcaob-brings-back-critical-audit-matters-to-research-agenda; Jian Zhang & Kurt Pany, *Critical Audit Matter Reporting: A Comparison of Years 1 through 3*, CPA J. (Mar. 22, 2023), https://www.cpajournal.com/2023/03/22/critical-audit-matter-reporting/.

[479] PSI Interview with Mike Keehlwetter, Audit Partner, KPMG (Jan. 9, 2024) at 185.

[480] *Id* at 185.

[481] Signature Bank, Annual Report (Form 10-K), 118 (Mar. 1, 2023).

[482] *Id*.

[483] *See* Pub. Co. Acct. Oversight Bd., *AS 3101: The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion* (June 1, 2017), https://pcaobus.org/oversight/standards/auditing-standards/details/AS3101.

[484] *See id*.

On February 23, 2023, six days before Signature Bank issued its 2022 10-K report, KPMG reported to the bank's board of directors, "we expect to conclude that the ACL is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole."[485] KPMG concluded its audit on March 1, 2023, issuing an unqualified audit opinion, including its critical audit matter on the bank's ACL.[486]

b. KPMG Did Not Perform an Independent Review of a Whistleblower Allegation of Fraud and Dismissed a Corroborating FDIC Report Despite Knowing Regulators Had Documented Concerns

On July 12, 2022, Signature Bank informed KPMG of allegations made by a former Signature Bank senior executive, whose responsibilities related to commercial real estate loans and risk.[487] According to KPMG workpapers, the whistleblower alleged that "the Bank was utilizing significantly inflated values of loan collateral, which in turn were used to calculate artificially low loan to value ratios ("LTVs")."[488] An LTV ratio compares the size of a loan to the value of the collateral securing it, based on the bank's appraisal documentation, and is a common metric used to assess credit risk in real estate lending.[489]

$$\text{Loan to Value ("LTV")} = \frac{\text{Loan Amount}}{\text{Appraised Asset Value}}$$

According to Mr. Keehlwetter, LTVs were a component of KPMG's evaluation of the bank's ACL.[490] Signature Bank terminated the whistleblower, citing performance issues, which the whistleblower disputed as retribution.[491] The bank ultimately settled these claims.[492]

PCAOB regulations require an independent auditor that becomes aware of possible illegal acts committed by an audit client to "obtain an understanding of the nature of the act, the circumstances in which it occurred, and sufficient other information to evaluate the effect

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[485] Signature Bank Discussion with the Examining Committee, *Critical Accounting Estimates* (Feb. 23, 2023), KPMG-SBNY-PSI-0000025017 at 25037 (on file with the Subcommittee).

[486] Signature Bank, Annual Report (Form 10-K) (Mar. 1, 2023).

[487] *See* Memorandum, Actual or Suspected Non-Compliance with Laws and Regulations, including Illegal Acts, Not Deemed to be Clearly Inconsequential (July 21, 2022), KPMG-SBNY-PSI-WP-0000029635 at 29635 (on file with the Subcommittee) [hereinafter NOCLAR Memo].

[488] *Id*.

[489] Real Estate Lending Standards, 12 C.F.R. § 365.2 (2019).

[490] PSI Interview with Mike Keehlwetter, Audit Partner, KPMG (Jan. 9, 2024) at 227.

[491] NOCLAR Memo, *supra* note 487, at 29636.

[492] Letter from Signature Bank Outside Counsel to KPMG (Jan. 30, 2023), KPMG-SBNY-PSI-WP-0000009846 at 9849 (on file with the Subcommittee).

on the financial statements."[493] In addition to any potential impact on the financial statements, auditors are required to "consider the implications of an illegal act in relation to other aspects of the audit, particularly the reliability of representations of management."[494] As part of this process, independent auditors "should inquire of management at a level above those involved [in the alleged illegality], if possible."[495] Whether an act is illegal is typically "beyond the auditor's professional competence" and would "generally be based on the advice of an informed expert qualified to practice law."[496]

The whistleblower told PSI that they were concerned that Signature Bank was using inflated valuations (including poorly reasoned appraisals, severely out-of-date appraisals/pre-covid appraisals, and poor internal underwriting unsupported by current data).[497] The whistleblower told the Subcommittee they urged their superiors to update the bank's underwriting accordingly, but the whistleblower's superiors disagreed with this suggestion, responding "that the FDIC would not catch it" because they were overwhelmed during the pandemic, and that they wouldn't delve into this level of detail.[498] According to the whistleblower, it was obvious in specific transactions that some Signature Bank clients were almost certainly "committing mortgage fraud"—fraud that the bank's commercial real estate department was informed about (by the whistleblower) and disregarded in order to generate business.[499]

According to the whistleblower, the bank did not take action despite its awareness that borrowers were allegedly providing fraudulent information, including an inflated sales price which would inevitably inflate the appraised valuation.[500] Signature Bank, whose commercial office property portfolio primarily dealt with low-to-mid-grade quality office properties that were disproportionately impacted by the COVID-19 pandemic, underwrote their New York City office buildings at an occupancy level of 90 percent in 2022, when many businesses had abandoned physical office space, and market data (as featured in a prominent Wall Street Journal story) indicated such high levels of occupancy would have

[493] Pub. Co. Acct. Oversight Bd., *AS 2405.10: Audit Procedures in Response to Possible Illegal Acts*, https://pcaobus.org/oversight/standards/auditing-standards/details/AS2405 (last visited Sept. 12, 2025).
[494] *Id.* at 2405.16.
[495] *Id.* at 2405.10.
[496] *Id.* at 2405.03.
[497] PSI Interview with Whistleblower.
[498] *Id.*
[499] *Id.*
[500] *Id.*

been virtually impossible to be achieved across a portfolio.[501] The whistleblower had been informed that senior management was aware of the Wall Street Journal article and was concerned about its implications.[502] The whistleblower told the Subcommittee that they raised the issue and the risks posed to the bank with its executives numerous times, but that the bank's leadership was unwilling to adjust the underwriting to accurately reflect updated market conditions, and would not pursue a strategy to de-risk the bank's office loan portfolio, as advocated by the whistleblower.[503] According to the whistleblower, during a number of these extended conversations, senior management expressed they felt pressure to increase revenue and profitability.[504]

According to the whistleblower, the bank did not take action despite its awareness that borrowers were allegedly providing fraudulent valuations to "keep in place a highly inflated stock price and not interfere with the bank's expansion plans or capital-raising activities, including the issuances of shares in January 2022."[505] Instead, the whistleblower alleged that the bank used the artificially low LTVs to mislead investors, including during its Q1 2022 earnings call on April 19, 2022, during which an analyst asked management whether in "any of your real-estate oriented asset classes [are you] seeing any sort of credit deterioration?"[506] Signature Bank's Chief Operating Officer responded that they felt "well protected" by the portfolio's LTV of 56%—a figure allegedly calculated with fraudulent numbers.[507] According to a July 2022 memo KPMG prepared regarding the allegations, the whistleblower had participated in a March 2022 meeting with the FDIC as part of the bank's regular communications with the regulator and represented that the FDIC "agreed with and echoed [the whistleblower's] concerns regarding inaccurate LTV." [508]

When questioned by the Subcommittee, Mr. Keehlwetter acknowledged that the allegations made by the whistleblower could have had an impact on the audit work if KPMG determined that the claims were substantiated.[509] Mr. Keehlwetter explained that he would have considered the risk to be substantiated if the bank's law firm had said they were

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[501] PSI Interview with Whistleblower; Kate King, et al., *Midtown Manhattan with Fewer Office Workers: Imagining the Unthinkable,* WALL ST. J. (Mar. 22, 2022), www.wsj.com/real-estate/commercial/midtown-manhattan-with-fewer-office-workers-imagining-the-unthinkable-11647941402.

[502] PSI Interview with Whistleblower.

[503] *Id*.

[504] *Id*.

[505] NOCLAR Memo, *supra* note 487, at 29636.

[506] PSI Interview with Whistleblower; *Signature Bank (SBNY) Q1 2022 Earnings Call Transcript,* MOTLEY FOOL (Apr. 19, 2022), https://www.fool.com/earnings/call-transcripts/2022/04/19/signature-bank-sbny-q1-2022-earnings-call-transcri/.

[507] *Id*.

[508] NOCLAR Memo, *supra* note 487, at 29635.

[509] PSI Interview with Mike Keehlwetter, Audit Partner, KPMG (Jan. 9, 2024) at 217-218, 225.

substantiated.[510] According to documents obtained by the Subcommittee, KPMG reviewed the whistleblower's allegation letter and made inquiries of several Signature Bank executives, including Stephen Wyremski, the bank's CFO, and the law firm hired by Signature Bank to investigate the allegations.[511]

The law firm that Signature Bank retained to assess the whistleblower's claims had previously performed litigation work for the bank.[512] The law firm did not produce a written report, so KPMG relied on an "oral summary" of the law firm's investigation, and concluded that the allegations were unfounded.[513] According to documents obtained by the Subcommittee, KPMG determined that the law firm retained by Signature Bank was sufficiently independent to evaluate the whistleblower's allegations.[514] According to KPMG, the firm "complied with. . .auditing standards and followed accepted industry practices in 'shadowing' the investigation performed by qualified outside counsel and conducting an assessment as to whether the process followed by outside counsel was reasonable, before concluding that [KPMG] could rely on the investigation findings."[515]

Relying on the conclusion reached by Signature Bank's external counsel, KPMG determined that the whistleblower's claims were unfounded.[516] Mr. Keehlwetter told the Subcommittee: "We had discussions with the third-party law firm that conducted the investigation and felt that the evidence that we were provided through their investigation was sufficient to support their conclusions."[517] Mr. Keehlwetter told the Subcommittee that KPMG did not conduct its own independent investigation of the claims made by the whistleblower.[518] KPMG told the Subcommittee that "the engagement team's handling of [the whistleblower's allegations] reflects a textbook example of how audit firms apply the professional standards in situations involving potential illegal acts by a client."[519]

While auditing standards prescribe a high bar for disclosing client information, meeting minutes reviewed by the Subcommittee showed that KPMG auditors did not ask the

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[510] *Id* at 225.
[511] NOCLAR Memo, *supra* note 487, at 29635.
[512] *Id*.
[513] *Id* at 29636.
[514] NOCLAR Memo, *supra* note 487, at 29635.
[515] Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, Appendix A, 58 (July 25, 2025) (on file with the Subcommittee).
[516] NOCLAR Memo, *supra* note 487, at 29635; PSI Interview with Mike Keehlwetter, Audit Partner, KPMG (Jan. 9, 2024) at 236.
[517] PSI Interview with Mike Keehlwetter, Audit Partner, KPMG (Jan. 9, 2024) at 222.
[518] *Id.* at 220.
[519] Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, Appendix A, 57 (July 25, 2025) (on file with the Subcommittee)

regulator questions related to the substance of the allegations.[520] Indeed, Mr. Keehlwetter did not ask the FDIC about the topic at a quarterly meeting between KPMG and the FDIC that he attended in July 2022, the day after Signature Bank informed KPMG of the whistleblower allegations, other than to say KPMG was "pleased with what we're seeing" in the course of its review of the bank's lending practices.[521] Mr. Keehlwetter told the Subcommittee that at the time of the July meeting with the FDIC, KPMG had not completed its review of the matter and it "would have been inappropriate to discuss [the allegations] with anyone outside the company before [Signature Bank] had completed their own internal review."[522]

Even though KPMG did not ask about the issues raised by the whistleblower, the FDIC independently raised concerns about Signature Bank's "documentation and support for valuations used in collateral dependent loans" at a quarterly meeting in April 2022, before the audit team learned of the whistleblower allegations.[523] KPMG's notes for the April 2022 meeting with the FDIC stated:

> There is a recommendation expected to come regarding documentation and support for valuations used in collateral dependent loans. The regulators are not questioning the values, but rather the support provided to determine the values [were] inconsistent and sufficiently documented.[524]

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[520] *See* Signature Bank 2Q22 Quarterly Update, FDIC (July 13, 2022), PSI00002774 (on file with the Subcommittee); PSI Interview with Mike Keehlwetter, Audit Partner, KPMG (Jan. 9, 2024) at 226. PCAOB standards protect the confidentiality of information that auditors obtain about their clients, restricting auditors' ability to share what they learn with regulators without their client's approval. *See* Pub. Co. Acct. Oversight Bd., *AU Section 9339A Working Papers: Auditing Interpretations of Section 339A*, at 339A.04, https://pcaobus.org/oversight/standards/archived-standards/details/AU9339A (last visited Sept. 10, 2025). Under PCAOB AS 2405, auditors are required to report illegal acts to the audit committee, but they are not permitted to report to the SEC unless the act has a material effect on the financial statements and the client fails to take appropriate action. Pub. Co. Acct. Oversight Bd., *AS 2405: Illegal Acts by Clients*, https://pcaobus.org/oversight/standards/auditing-standards/details/AS2405 (last visited Sept. 10, 2025). Under Section 10A-1 of the Securities and Exchange Act, auditors are required to report such an act to the Chief Accountant of the SEC only if the client's board of directors fails to respond. As a result, even credible evidence of fraud may go unreported if it does not meet these narrowly tailored conditions. 17 C.F.R. § 240.10A-1 (2019).

[521] *See* PSI Interview with Mike Keehlwetter, Audit Partner, KPMG (Jan. 9, 2024) at 223-224; Signature Bank 2Q22 Quarterly Update, FDIC (July 13, 2022), PSI00002774 (on file with the Subcommittee).

[522] PSI Interview with Mike Keehlwetter, Audit Partner, KPMG (Jan. 9, 2024) at 226.

[523] Signature Bank 1Q22 Quarterly Update, FDIC (Apr. 13, 2022), KPMG-SBNY-PSI-WP-0000037672 (on file with the Subcommittee); FDIC and N.Y. Dep't of Fin. Serv's. Joint Report of Examination of Signature Bank, (Dec. 31, 2021) PSI00000090 at 95 (on file with the Subcommittee).

[524] Signature Bank 1Q22 Quarterly Update, FDIC (Apr. 13, 2022), KPMG-SBNY-PSI-WP-0000037672 (on file with the Subcommittee).

Furthermore, in December 2021, the FDIC and the New York Department of Financial Services had issued an examination report that contained findings related to the accuracy of documentation Signature Bank used to support valuations for its commercial real estate portfolio relative to how the market had shifted during the COVID-19 pandemic.[525] Federal and state bank examiners reviewed a sample of Signature Bank's distressed commercial real estate loans that the bank had restructured during the pandemic to see if they used current appraisals or valuations.[526] Examiners detailed in their December 2021 report that, despite bank policy requiring bank employees to "assess whether the appraisal continues to reflect the market value of the property," Signature Bank management failed to obtain new appraisals for its commercial real estate loans.[527] The appraisals that Signature Bank relied on at the time of the report were from 2015 to 2018, before the COVID-19 pandemic.[528]

The report cited an example of a loan the bank restructured in 2021 that apparently provided credence to the whistleblower's allegations.[529] Despite the fact that the property's "value declined significantly to $16 million or 92 percent LTV" in 2021, doubling its risk profile since 2017 of "$25.7 million or 57 percent LTV," the bank did not obtain an updated appraisal.[530] The examination report further stated "appraisals performed prior to the 2020 pandemic are not reflective of current market conditions" and that "[f]ailure to obtain current appraisals or complete updated internal valuations [would] result in unsupported valuations and flawed credit underwriting decisions, resulting in higher portfolio risk."[531] KPMG told the Subcommittee it routinely reviewed regulatory findings that impacted the bank.[532]

c. Signature Bank's Novel Cryptocurrency-Based Internal Digital Payment Platform Posed Unique Challenges for KPMG's Audit Team

One reason for Signature Bank's failure listed by the FDIC in its report on the bank's collapse was that it "failed to understand the risk of its association with, and reliance on, crypto

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[525] FDIC and N.Y. Dep't of Fin. Serv's. Joint Report of Examination of Signature Bank, 101-102 (Dec. 31, 2021) PSI00000090 (on file with the Subcommittee); Signature Bank 1Q22 Quarterly Update, FDIC (Apr. 13, 2022), KPMG-SBNY-PSI-WP-0000037672 (on file with the Subcommittee).

[526] *See* FDIC and N.Y. Dep't of Fin. Serv's. Joint Report of Examination of Signature Bank, *SR-2021 CRM #02 – Real Estate Appraisals for Distressed CRE Loans*, (Dec. 31, 2021) PSI00000090 at 126 (on file with the Subcommittee).

[527] FDIC and N.Y. Dep't of Fin. Serv's. Joint Report of Examination of Signature Bank, *SR-2021 CRM #02 – Real Estate Appraisals for Distressed CRE Loans*, (Dec. 31, 2021) PSI00000090 at 126 (on file with the Subcommittee).

[528] *Id*.

[529] *Id*.

[530] *Id*.

[531] *Id*.

[532] PSI Interview with Mike Keehlwetter, Audit Partner, KPMG (Jan. 9, 2024) at 116.

industry deposits or its vulnerability to contagion from crypto industry turmoil…"[533] The bank's cryptocurrency industry clientele represented a significant portion of its business in the years before its collapse.[534] Even with a steep decline over the course of 2022, Signature Bank held nearly $20 billion of cryptocurrency-related deposits out of approximately $89 billion in total deposits as of December 31, 2022.[535] Signature Bank's CEO had previously described the bank's proprietary cryptocurrency payment platform, Signet, as the primary driver of its role as a cryptocurrency-friendly bank.[536] In a January 2021 earnings call, he said the platform had caused deposits associated with cryptocurrency to "grow by leaps and bounds."[537]

Signet was a closed, intrabank digital payment platform launched by Signature Bank in January 2019 that allowed commercial clients to transmit payments via cryptocurrency on a private blockchain system restricted to Signature Bank customers, allowing only approved clients to transact with one another.[538] While the system utilized an Ethereum based blockchain network, payment transfers cleared in US dollars.[539] Unlike traditional bank systems, which often rely on delayed or business-hour processing for internal transfers, Signet enabled real-time, 24/7 transfers between Signature Bank clients.[540] Signet was built on a version of the Ethereum blockchain and, according to Signature Bank's 2022 10-K

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[533] Martin J. Gruenberg, Chairman, Fed. Deposit Ins. Corp., Testimony to the S. Comm. on Banking, Housing and Urban Affairs: Oversight of Financial Regulators Financial Stability, Supervision, and Consumer Protection in the Wake of Recent Bank Failures (May 18, 2023), https://www.fdic.gov/news/speeches/2023/spmay1723.html.

[534] KPMG, *Signature Bank: Risk Assessment – Growth* (May 20, 2022), KPMG-SBNY-PSI-WP-0000001373 (on file with the Subcommittee).

[535] *See* N.Y. Dep't Fin. Serv's., New York State Department of Financial Services Internal Review of the Supervision and Closure of Signature Bank (2023) at 10-11, https://www.dfs.ny.gov/system/files/documents/2023/04/nydfs_internal_review_rpt_signature_bank_20230428.pdf.

[536] Nathan DiCamillo, *Signature Bank Crosses $10B in Deposits from Crypto Customers*, COINDESK (Jan. 21, 2021), https://www.nasdaq.com/articles/signature-bank-crosses-%2410b-in-deposits-from-crypto-customers-2021-01-21.

[537] *Id.*

[538] *Audit of Signet, Audit Report 2020-07,* Signature Bank (May 5, 2020), KPMG-SBNY-PSI-WP-0000038447, at 38452 (on file with the Subcommittee); KPMG Signature Bank 2022 Year End Audit Workpaper, *IT Understanding,* KPMG-SBNY-PSI-WP-0000001876 (on file with the Subcommittee).

[539] *Audit of Signet, Audit Report 2020-07*, *supra* note 538, at 38448. On July 25, 2025, KPMG told the Subcommittee: "Signature's financial statements reported deposits in the aggregate, so the engagement team assessed that transfers executed through the Signet platform did not create a risk of material misstatement in the deposits line in the financial statements." Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, Appendix A, 60 (July 25, 2025) (on file with the Subcommittee).

[540] *See* Bill Streeter, *Why This Bank Is Betting Its Future on Blockchain Payments*, THE FIN. BRAND (Aug. 20, 2020), https://thefinancialbrand.com/news/cryptocurrency-banking/signature-bank-blockchain-payments-crypto-real-time-digital-asset-101224; *Audit of Signet, Audit Report 2020-07,* Signature Bank (May 5, 2020), KPMG-SBNY-PSI-WP-0000038447 at 38452 (on file with the Subcommittee).

report, enabled clients to make payments in U.S. dollars in "real-time, without the assistance of third-party intermediaries through an asset tokenization and redemption process."[541]

Signet was a novel platform within the banking industry—it was the first blockchain-based platform approved for use by the New York Department of Financial Services.[542] Signet was used to facilitate payments within the bank between commercial clients, for example, one Signature Bank customer sending dollar denominated payments to another through a blockchain platform.[543] Signet converted US dollars to a proprietary cryptocurrency token to transfer between clients, but unlike a cryptocurrency exchange such as Coinbase, Signet did not allow customers to send transfers outside of Signature Bank.[544]

Despite its relevance to the 2022 audit, the three KPMG auditors for the Signature Bank engagement interviewed by the Subcommittee each confirmed they had no expertise in blockchain or cryptocurrency technology.[545] Moreover, the auditor tasked with reviewing Signet did not indicate that other team members had expertise in blockchain or cryptocurrency technology.[546] While audit workpapers note that KPMG auditors with information technology ("IT") experience were assigned to the Signature Bank audit, none of these auditors were identified as having specialized expertise within IT relevant to blockchain technology.[547] When asked by the Subcommittee to describe, at a high level, the

[541] *Audit of Signet, Audit Report 2020-07,* Signature Bank (May 5, 2020), KPMG-SBNY-PSI-WP-0000038447 (on file with the Subcommittee); Signature Bank, Annual Report (Form 10-K) (Mar. 1, 2023), 47.

[542] *Signature Bank Provides Digital Asset Banking Update*, BUSINESS WIRE (Nov. 15, 2022), https://www.businesswire.com/news/home/20221115006076/en/Signature-Bank-Provides-Digital-Asset-Banking-Update.

[543] *See* Bill Streeter, *Why This Bank Is Betting Its Future on Blockchain Payments*, THE FIN. BRAND (Aug. 20, 2020), https://thefinancialbrand.com/news/cryptocurrency-banking/signature-bank-blockchain-payments-crypto-real-time-digital-asset-101224.

[544] *See id.* New York State Dep't of Fin. Servs., *Internal Review of the Supervision and Closure of Signature Bank*, 10 (Apr. 28, 2023), https://www.dfs.ny.gov/system/files/documents/2023/04/nydfs_internal_review_rpt_signature_bank_20230428.pdf; Nathan Reiff, *Cryptocurrency Exchanges: What They Are and How to Choose*, INVESTOPEDIA (updated Nov. 22, 2024), http://www.investopedia.com/tech/190-cryptocurrency-exchanges-so-how-choose/; Benjamin Pirus, *Signature Bank Beats JPMorgan To Ethereum-Based Token Services,* FORBES (Feb. 22, 2019), https://www.forbes.com/sites/benjaminpirus/2019/02/22/signature-bank-already-has-hundreds-of-clients-using-private-ethereum-jpm-coin-still-in-testing/.

[545] *See* PSI Interviews with Mike Keehlwetter, Audit Partner, KPMG (Jan. 9, 2024) at 167; Audit Senior Manager for Signature Bank Engagement Team, KPMG (Jan. 11, 2024) at 122; Audit Manager for Signature Bank engagement team, KPMG (Jan. 19, 2024) at 80.

[546] *See* Audit Manager for Signature Bank Engagement Team, KPMG (Jan 19, 2024) at 80.

[547] *KPMG Signature Bank 2022 Year End Audit Workpaper*, *Audit Plan,* KPMG-SBNY-PSI-WP-0000032546 (on file with the Subcommittee); *KPMG Signature Bank 2022 Year End Audit Workpaper, Use of Specialist* (Feb. 23, 2023), KPMG-SBNY-PSI-WP-00000000090 (on file with the Subcommittee).

difference between distributed ledger technology and a traditional centralized ledger, a fundamental concept for how blockchain technology operates, the KPMG auditor in charge of conducting testing on the Signet platform for the 2022 audit responded, "I don't know."[548]

For Signature Bank's 2022 audit, KPMG conducted a single workpaper to assess the risks relating to the Signet platform.[549] In this workpaper, the audit team reviewed balances listed on Signet for March 31, 2022 against the amount listed as available to withdraw from deposit accounts associated with the system the same day to ensure the two numbers matched.[550] KPMG noted Signet may have implicated other functions at the bank, such as for preventing money laundering, but the firm's review of Signet during the 2022 audit focused solely on deposit balances.[551] Ultimately, KPMG Mr. Keehlwetter signed off on the workpaper assessing Signet balances on August 24, 2022.[552]

KPMG had conducted more audit procedures for Signet in prior audits. For instance, according to a KPMG memo, the audit team for Signature Bank's 2019 audit "performed a walkthrough of a new account opening, from initiation to recording," before determining that Signet was not "considered in-scope for the audit."[553] The next year, for its 2020 audit of Signature Bank, KPMG reviewed an audit of Signet conducted by Signature Bank's internal audit department that identified several potential concerns regarding the platform's

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[548] PSI Interview with Audit Manager for Signature Bank engagement team, KPMG (Jan 19, 2024) at 81.

[549] KPMG Signature Bank 2022 Year End Audit Workpaper, *D&I,* KPMG-SBNY-PSI-WP-0000011990 (on file with the Subcommittee). KPMG provided the Subcommittee with 81 workpapers from the 2022 audit that reference Signet, but only one appeared to examine whether Signet worked as intended. *See* Memorandum Assessing Transaction Processing Risk of Signature Bank, (Dec. 31, 2019), KPMG-SBNY-PSI-WP-0000038128 (on file with the Subcommittee). KPMG told the Subcommittee that "the engagement teams had performed more procedures [related to Signet] in earlier periods, including a walkthrough of new account opening processes and the review of an audit by Signet by Signature's internal audit team in 2020, but that was an appropriate response to the bank rolling out a new platform, and was no longer necessary by the time of the 2022 audit. PCAOB standards do not require auditors to reperform audit procedures simply because they were performed in prior years. . . [Moreover,] the engagement team did not test the bank's [anti-money laundering] controls related to Signet because these are compliance and operational controls, which are not part of the auditor's mandate…" Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, Appendix A, 61 (July 25, 2025) (on file with the Subcommittee). On September 16, 2025, KPMG told the Subcommittee: "While not all the workpapers are focused solely on Signet, they address aspects of Signet that were taken into account by the engagement team." KPMG LLP Submission in Response to PSI Minority Staff Notice of the Release of Minority Staff Report on Sept. 17, 2025, at 4 (Sept. 16, 2025) (on file with the Subcommittee).

[550] KPMG Signature Bank 2022 Year End Audit Workpaper, *D&I,* KPMG-SBNY-PSI-WP-0000011990 (on file with the Subcommittee).

[551] KPMG Briefing to PSI Staff (June 5, 2024).

[552] KPMG Signature Bank 2022 Year End Audit Workpaper, *Signet vs. DDA Reconciliation: Sign-off History,* KPMG-SBNY-PSI-WP-0000012019 (on file with the Subcommittee).

[553] Memorandum Assessing Transaction Processing Risk of Signature Bank, (Dec. 31, 2019) KPMG-SBNY-PSI-WP-0000038128 at 38130 (on file with the Subcommittee).

completeness and accuracy.[554] Among other findings, the 2020 audit report stated that the daily transaction files "generated and sent by the Signet platform for downstream Bank processing lack record and 'hash' total counts; as a result, there [was] no validation over the completeness and accuracy of these data files."[555] Key downstream bank processes included those related to Anti-Money Laundering ("AML") transaction monitoring, bank operations reconciliation, and data warehouse processing.[556] Specifically, 150 Signet client transfers with a value of more than $111 million had not been processed through a transaction monitoring and filtering program in 2020, impacting the completeness of Signature Bank's AML monitoring.[557]

According to the PCAOB, "higher risk requires the assignment of more experienced personnel or additional persons with specialized skills and knowledge."[558] However, according to the Subcommittee's review of the records, no KPMG team members assigned to the 2022 audit of Signature Bank had expertise in blockchain or cryptocurrency technologies and audit workpapers provided to the Subcommittee do not indicate that any internal or external blockchain specialists were engaged.[559] When the Subcommittee asked the auditor responsible for testing Signet whether there may have been anyone else on the team responsible for assessing the unique features of the platform, he replied: "Possibly, I'm not sure."[560]

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[554] *Audit of Signet, Audit Report 2020-07,* Signature Bank (May 5, 2020), KPMG-SBNY-PSI-WP-0000038447 at 38450 (on file with the Subcommittee).

[555] *Id*. A "hash total" is a "method for ensuring that data have not been altered. A hash total is the numerical sum of one or more fields in a file, including data not normally used in calculations, such as account number." *Encyclopedia: Hash Total*, PC MAG, https://www.pcmag.com/encyclopedia/term/hash-total (last visited Sept. 12, 2025).

[556] *Audit of Signet, Audit Report 2020-07,* Signature Bank (May 5, 2020), KPMG-SBNY-PSI-WP-0000038447 at 38450 (on file with the Subcommittee).

[557] *Id.* at 38450-38451.

[558] *See* Pub. Co. Acct. Oversight Bd., *Staff Audit Practice Alert No. 6: Auditor Considerations Regarding Using the Work of Other Auditors and Engaging Assistants from Outside the Firm*, (July 12, 2010), 9, https://assets.pcaobus.org/pcaob-dev/docs/default-source/standards/qanda/2010-07-12_apa_6.pdf ("Ordinarily, higher risk requires the assignment of more experienced personnel or additional persons with specialized skills and knowledge, e.g., information technology or forensic specialists.").

[559] This conclusion is based on analysis by the Subcommittee analysis of workpapers for the 2022 audit. In addition to workpapers from the 2022 audit, KPMG produced workpapers pertinent to Signet for the 2019 through 2021 audits, which the Subcommittee analyzed and did not identify consultation with a blockchain expert.

[560] PSI Interview with Audit Manager for Signature Bank Engagement Team, KPMG (Jan. 19, 2024) at 80.

Signet was one of the primary tools Signature Bank used to market itself as a cryptocurrency-friendly bank.[561] Signature Bank successfully attracted billions of dollars of deposits from cryptocurrency institutions, which proved to be volatile in the months before the bank failed.[562] The KPMG auditor responsible for assessing the Signet platform, speaking to a colleague, commented on the negative impact of the bank's cryptocurrency-related business to a colleague on March 10, 2023, two days before the bank collapsed, stating in a chat message, Signature Bank "kinda played themselves on... their crypto involvement to sound cool."[563]

Figure 12: March 10, 2023 Internal Chat Between KPMG Signature Bank Auditor Responsible for Auditing Signature Bank's Cryptocurrency Platform and Colleague Regarding Signature Bank's Cryptocurrency Business

Auditor 1 [redacted]@KPMG.com) 3/10/2023, 6:12 PM
sbny kinda played themselves on this

Auditor 1 [redacted]@KPMG.com) 3/10/2023, 6:12 PM
overinflated their crypto involvement to sound cool

Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:12 PM
they're collateral damage

Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:13 PM
true, they attached themselves to it for the ascend

Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:13 PM
and wonder why they're crumbling as the floor drops out

Source: Internal chat between KPMG Signature Bank auditors (Mar. 10, 2023), KPMG-SBNY-PSI-0000041180, at 41182 (on file with the Subcommittee).

Like the KPMG audit team for Silicon Valley Bank, at the conclusion of the audit, the engagement team for Signature Bank completed workpapers to assess any risks to the

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[561] *See* Leo Schwartz, *Developer of Signature Bank's 24/7 payment system Signet calls crypto 'a distraction'*, YAHOO FIN. (Apr. 10, 2023), https://finance.yahoo.com/news/developer-signature-bank-24-7-100000898.html.

[562] *See id.*

[563] Internal KPMG Communications, (Mar. 10, 2023) KPMG-SBNY-PSI-00000041180 at 41182 (on file with the Subcommittee).

bank's ability to continue as a going concern in accordance with PCAOB guidance.[564] As with Silicon Valley Bank, the Signature Bank audit team completed a workpaper at the end of the audit to assess any factors that could potentially threaten the bank's continued viability.[565] The going concern workpaper for Signature Bank included a list of 64 questions such as, did the bank "have significant operations exposed to volatile markets" or had there been a "significant change in the industry" in which the bank operated, which the engagement team represented they had not identified.[566] By not identifying these risks as existing, KPMG did not document whether their involvement in the cryptocurrency industry could have posed a threat to the bank's ability to continue as a going concern.[567] However, a memo prepared by KPMG in January 2023 identified the "demise of FTX and other impacted entities in the cryptocurrency industry [causing] dislocation and losses in the digital asset industry" as risks relevant to the bank's "current economic environment."[568] The bank's 10-K, which KPMG was required to review prior to completion of its audit, reported a decline of $12.39 billion in cryptocurrency related deposits due to "a challenging cryptocurrency environment," representing over 70% of $17.54 billion in total deposit outflows from the bank in 2022.[569] Mr. Keehlwetter signed off on the going concern workpaper on January 25, 2023.[570]

d. Signature Bank's Resistance to Providing Documentation to KPMG Raises Questions as to Whether the Bank Remediated Certain Deficiencies by Year-End, as KPMG Communicated to the Bank's Board of Directors

i. *Email Communications Between Signature Bank and KPMG Revealed Tension Between Auditors and Bank Executives*

Communications reviewed by the Subcommittee between auditors and bank employees suggest the audit team struggled to obtain audit information and documentation from bank

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[564] Going Concern - Identification of Events or Conditions - Required Work Paper (10/20), KPMG-SBNY-PSI-WP-0000006793 (on file with the Subcommittee).

[565] *See id*.

[566] *Id*.

[567] *Id*.

[568] KPMG Risk Assessment: Impacts of Economic Conditions, (Jan. 23, 2023) KPMG-SBNY-PSI-0000031656 at 31659-31660 (on file with the Subcommittee). On September 16, 2025 KPMG told the Subcommittee: "The report fails to note that this same workpaper described the basis for the engagement team's conclusion that there was no significant impact on their risk assessment." KPMG LLP Submission in Response to PSI Minority Staff Notice of the Release of Minority Staff Report on Sept. 17, 2025, at 5 (Sept. 16, 2025) (on file with the Subcommittee).

[569] Signature Bank, Annual Report (Form 10-K) (Mar. 1, 2023) at 11.

[570] KPMG Internal Document: *Sign-off History*, (Jan. 25, 2023) KPMG-SBNY-PSI-WP-0000006797 (on file with the Subcommittee).

executives during KPMG's 2022 audit of Signature Bank.[571] The information sought pertained to the bank's ability to accurately value its investments portfolio, risks which resonated with an overall culture of haphazard recordkeeping that ultimately led to financial markets and regulators losing faith in Signature Bank in the days after the collapse of Silicon Valley Bank.[572] On January 6, 2023, a KPMG audit manager wrote to another auditor in an instant message to express frustration during the process of documenting how Signature Bank assessed the value of its loans, writing "[Mr. Keehlwetter] wants me to figure out how management FV's [assesses the fair value of] their loans and then put something together for that... he thinks just understanding how they do it and throwing together some bullet points is better than what we currently have... which is nothing."[573] Amidst this exchange, the auditor stated, "this industry is a joke and our regulators are a joke."[574]

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[571] Email from Senior Audit Manager, KPMG to Mike Keehlwetter, Audit Partner, (Jan. 30-31, 2023) KPMG-SBNY-PSI-0000035293 (on file with the Subcommittee); Internal KPMG Communications, (Feb. 8, 2023) KPMG-SBNY-PSI-0000038046 (on file with the Subcommittee).

[572] *See* Fed. Deposit Ins. Corp. Off. of the Inspector General, Material Loss Review of Signature Bank of New York (2023), https://www.fdicoig.gov/sites/default/files/reports/2023-10/EVAL-24-02.pdf; N.Y. Dep't Fin. Serv's., *supra* note 64, at 5-6.

[573] *See* Internal KPMG Communications, (Jan. 6, 2023) KPMG-SBNY-PSI-0000041165 at 41175 (on file with the Subcommittee); PSI Interview with Audit Manager for Signature Bank engagement team, KPMG (Jan 19, 2024) at 37. "[PSI]: Did you ever feel that you were being asked to complete tasks that didn't have added value? . . . . [Witness]: At the time, I would say yes, without the full scope or have a full understanding as to why something was being asked of me.) *Id*.

[574] Internal KPMG Communications, (Jan. 6, 2023) KPMG-SBNY-PSI-0000041165 at 41175 (on file with the Subcommittee).

Figure 13: January 6, 2023 Internal Chat Between KPMG Signature Bank Audit Manager and Colleague Regarding Audit Documentation

Auditor 1 [redacted]@KPMG.com) 1/6/2023, 5:01 PM

Mike wants me to figure out how management FV's their loans and then put something together for that

Auditor 1 [redacted]@KPMG.com) 1/6/2023, 5:01 PM

big fun

Auditor 2 [redacted]@KPMG.com) 1/6/2023, 5:01 PM

yeah agreed always the worst. and where did he get that bright idea from

Auditor 1 [redacted]@KPMG.com) 1/6/2023, 5:03 PM

because this industry is a joke and our regulators are a joke...instead of putting together an estimates module for something that could never be material ever, he thinks just understanding how they do it and throwing together some bullet points is better than what we currently have...which is nothing

Source: Internal chat between KPMG Signature Bank auditors (Jan. 6, 2023), KPMG-SBNY-PSI-0000041165 at 41175 (on file with the Subcommittee).

The auditor told the Subcommittee that, at the time, they felt that they were being asked to complete tasks that did not add value to the audit, but could not cite any specific examples of such instances.[575] When the Subcommittee requested additional context from the auditor on the specific meaning of his statement, "this industry is a joke," the KPMG audit manager repeatedly answered, "I don't recall."[576]

Communications reviewed by the Subcommittee between KPMG and Signature Bank suggested tension between auditors and the bank. For instance, on February 8, 2023, 20 days before KPMG's audit opinion was finalized, a KPMG audit manager emailed his supervisor, writing that his efforts to obtain a residual value analysis from the bank, a metric used to assess the long term value of commercial real estate projects, had been met with "radio silence for weeks."[577] On February 7, another KPMG audit team member reached out to a Signature Bank Senior Vice President requesting confirmation on certain loan balances

[575] *See* PSI Interview with Audit Manager for Signature Bank engagement team, KPMG (Jan. 19, 2024) at 37.

[576] Internal KPMG Communications (Jan. 6, 2023), KPMG-SBNY-PSI-0000041165 at 41175 (on file with the Subcommittee).

[577] Internal KPMG Communications (Feb. 8, 2023), KPMG-SBNY-PSI-0000038044 at 38046 (on file with the Subcommittee).

and other documentation.[578] The Signature Bank executive replied that KPMG's inquiry interfered with "generating new business and profit," stating:[579]

> We certainly have been more than happy to provide you documentation and answers to your questions but I feel that we have provided you with everything we can at this point to give you an understanding of our business and process. We are currently very busy generating new business and profit for Signature and feel this has become very difficult to keep up this level of inquiry.[580]

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[578] Email from Senior Vice President, Signature Bank to Audit Manager, KPMG (Feb. 7, 2023), KPMG-SBNY-PSI-0000023678 at 23679 (on file with the Subcommittee); *How to Do a Residual Value Analysis: Q&A with Beth Mullen of the Reznick Group,* Affordable Housing Finance (July 1, 2007), https://www.housingfinance.com/management-operations/how-to-do-a-residual-value-analysis_o.

[579] Email from Senior Vice President, Signature Bank to Audit Manager, KPMG (Feb. 7, 2023), KPMG-SBNY-PSI-0000023678 at 23678 (on file with the Subcommittee).

[580] *Id*.

Figure 14: February 7, 2023 Email from Signature Bank Executive to KPMG Signature Bank Auditors Regarding Documentation Requested by Audit Team

Message

From: [redacted]@signatureNY.com]
Sent: 2/7/2023 7:30:22 PM
To: [redacted]@KPMG.com]; [redacted]@signatureNY.com]
CC: [redacted]@KPMG.com]; [redacted]@kpmg.com]; [redacted]@signatureny.com]; [redacted]@signatureNY.com]
Subject: [EXTERNAL] RE: SBA Follow Up Questions

[redacted],

We certainly have been more than happy to provide you documentation and answers to your questions but I feel that we have provided you with everything we can at this point to give you an understanding of our business and process.

We are currently very busy generating new business and profit for Signature and feel this has become very difficult to keep up this level of inquiry.

I'd be happy to get a call with you to clear up some of the continued confusion or understanding.

Best Regards,

[redacted] | [redacted]
Signature Bank, A Representative Office
[redacted]
T: [redacted] F: [redacted]
[redacted]@signatureny.com

Source: Email from Signature Bank Executive to KPMG Signature Bank auditors (Feb. 7, 2023), KPMG-SBNY-PSI-0000023678 (on file with the Subcommittee).

Asked about this response, KPMG's lead audit manager for the Signature Bank audit told the Subcommittee that the auditor communicating with the Signature Bank executive could have been more efficient by consolidating questions into a single email.[581] Email records obtained by the Subcommittee do not show that there were any subsequent written communications that resolved the inquiry. However, the KPMG lead audit manager told the Subcommittee that KPMG ultimately received answers to all its questions.[582]

[581] PSI Interview with Audit Senior Manager for Signature Bank Engagement Team, KPMG (Jan. 11, 2024), 96-97.
[582] *Id*.

ii. *KPMG Struggled to Obtain Information Needed to Document Whether Signature Bank had Remediated a "Significant Deficiency" by the End of the Audit Period*

Tension between auditors and bank executives appeared during KPMG's efforts to document a "significant deficiency" in the bank's financial reporting.[583] Under PCAOB standards, a "deficiency" exists when "the design or operation of a control does not allow management or employees… to prevent or detect misstatements on a timely basis."[584] A "significant deficiency" is a higher level of deficiency, defined by the PCAOB as "a deficiency, or a combination of deficiencies, in internal control, that is less severe than a material weakness yet important enough to merit attention by those responsible for oversight of the Company's financial reporting."[585] A "material weakness" is an escalation of a significant deficiency and indicates a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected on a timely basis.[586]

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[583] Pub. Co. Acct. Oversight Bd., *AS 1305: Communications About Control Deficiencies in an Audit of Financial Statements,* at 1305.01, https://pcaobus.org/oversight/standards/auditing-standards/details/AS1305 (last visited Sept. 12, 2025).

[584] *Id* at 1305.01.

[585] *See* Letter from KPMG to Signature Bank (Mar. 1, 2023), KPMG-SBNY-PSI-WP-0000001185 (on file with the Subcommittee); Pub. Co. Acct. Oversight Bd., *AS 1305: Communications About Control Deficiencies in an Audit of Financial Statements,* at 1305.02, https://pcaobus.org/oversight/standards/auditing-standards/details/AS1305 (last visited Sept. 12, 2025).

[586] *See* Pub. Co. Acct. Oversight Bd., AS 2201: An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements, Appendix A at A7, https://pcaobus.org/oversight/standards/auditing-standards/details/AS2201.

Summary of Control Deficiencies and Auditor Responsibilities [587]

	Description	Auditor Obligations	If Not Remediated
Deficiency	Missing or inoperative control. Likelihood of material misstatement is remote. Lowest level of concern.	Auditor should document the deficiency but typically not required to communicate it to management.	Low impact on financial reporting. May escalate if combined with other deficiencies.
Significant Deficiency	A deficiency, or combination of deficiencies, less severe than a material weakness but important enough to merit attention by those charged with governance.	Auditor must communicate the significant deficiency in writing to the audit committee. No requirement to disclose in public filings.	May erode audit committee confidence or internal control environment. Could escalate to material weakness if not addressed.
Material Weakness	A deficiency, or combination of deficiencies, that create a reasonable possibility that a material misstatement will not be prevented or detected on a timely basis.	Auditor must communicate in writing to the audit committee and, if auditing internal control over financial reporting, disclose it in audit opinion. May trigger adverse opinion.	If not remediated, could result in a material misstatement, restatement of financials, or an adverse opinion on internal controls.

During the 2022 audit, KPMG assessed four deficiencies related to the bank's investment portfolio that, in aggregate, amounted to a significant deficiency.[588] KPMG communicated these deficiencies in a letter to the bank's board of directors with the following explanations:

[587] *See id*. at 2201.17, Appendix A; Pub. Co. Acct. Oversight Bd., AS 1305, Sec. 2-4; 17 C.F.R. § 229.308(a)(3) (2017).

[588] Letter from KPMG to Signature Bank (Mar. 1, 2023), KPMG-SBNY-PSI-WP-0000001185 (on file with the Subcommittee); Signature Bank Discussion with the Examining Committee, *Significant deficiency in internal control*, (Nov. 3, 2022) KPMG-SBNY-PSI-WP-0000032218 at 32225 (on file with the Subcommittee).

- **Independent Price Verification ("IPV") Control** Explanations on investment positions breaching thresholds were not sufficient and consideration of adjusting prices to secondary source was not adequately documented.[589]

- **Custodian Reconciliation** Differences above management's predetermined threshold were not investigated and resolved.[590]

- **Investment Suspense Account Reconciliation** Certain aged positions were not investigated and resolved.[591]

- **Mark to Market Report** Prices used by the control operator were not completely and accurately pulled from a respective primary and secondary source (e.g. IDC / Reuters / BVAL) leading to certain Level 2 positions not being priced by a secondary source.[592]

While KPMG reported four deficiencies to the bank that it aggregated to a significant deficiency, Mr. Keehlwetter told the Subcommittee the deficiency relating to "IPV Control," or independent price verification, was the "primary deficiency," stating that he and KPMG wanted to make sure it "had a thorough analysis to support our conclusion" that it had been remediated.[593] IPV is the process used by a bank to verify the fair value of assets, such as loans and investments, using independent sources rather than relying solely on the valuations provided by the bank employees who recorded them.[594] A weak IPV process can increase the risk that a bank is improperly recording the fair value of its assets, especially in illiquid or stressed markets.[595]

Despite the significance of this information to the audit, the Subcommittee observed instances in which KPMG auditors received delayed or apparently incomplete responses from bank executives as they documented whether the bank had remediated the IPV deficiency.[596] KPMG completed workpapers related to the bank's efforts to remediate the

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[589] Letter from KPMG to Signature Bank (Mar. 1, 2023), KPMG-SBNY-PSI-WP-0000001185 (on file with the Subcommittee).

[590] *Id* at 1186.

[591] *Id*.

[592] *Id*.

[593] PSI Interview with Mike Keehlwetter, Audit Partner, KPMG (Jan. 9, 2024) at 134-35.

[594] *See* American Bankers Association, *Introduction to IPV and Valuation Controls*, (Feb. 10, 2023) https://www.aba.com/news-research/analysis-guides/introduction-to-ipv-and-valuation-controls.

[595] *Id*.

[596] *See e.g.*, Email from Senior Audit Manager, KPMG to Mike Keehlwetter, Audit Partner (Jan. 31, 2023), KPMG-SBNY-PSI-0000035293 (on file with the Subcommittee).

deficiencies identified by KPMG before the end of the audit period, signing off on many of them on February 28, the day before KPMG completed its audit.[597]

Figure 15: February 6, 2023 Memorandum from Signature Bank Documenting Remediation of Deficiencies Relating to Investment Portfolio

PBC: Kevin Hickey, Chief Investment Officer and Treasurer
Purpose: To document management's Q4 2022 review of the investment portfolio, specifically review of valuation of Level 1, 2, and 3 investment securities. Note, SBA Level 3 population is covered under a separate control in the SBA Business Process of the file.
Note: KPMG walked through the process with the Treasurer and Treasury Accounting Manager and notes this memorandum appropriately memorializes management's process and control.

Signature

This test work is a sample used for both TOD and TOE purposes.

To: File (for internal use only)
From: Kevin Hickey / Felix Arriola
Date: January 25, 2023; February 6, 2023
Re: Investment Portfolio Valuation Review - December 31, 2022

Purpose:

The purpose of this memo is to document the procedures performed, results obtained, and conclusions reached related to the review of the valuations of Signature Bank's investment portfolio as of and for the period-ended December 31, 2022.

Background:

The Investment portfolio of the Bank mainly consists of Level 1 and 2 CMO Non-Agency, CMO Agency, RMBS Agency, Corporate Debt, Treasury, CMBS and CMO agency and Non-agency securities. The Bank also holds a limited amount of Level 3 securities. The Bank utilizes IDC as our primary pricing source for these Level 1 and 2 securities. The Bank utilizes a secondary pricing source (BVAL (Bloomberg) or Markit), or broker prices where necessary, as a second validation of the source price. Broker prices are not utilized as the primary source, but are used as a comparison to the IDC prices to determine whether an IDC price should be challenged or not, in the event certain securities are not priced by BVAL or Markit. Securities classified as Level 3 are typically priced using a valuation model with market/vendor or management developed inputs, or vendor pricing with limited transactional activity. Level 3 security pricing, given the limited population, is reviewed at quarter end by the Treasurer for reasonableness.

Source: Investment Portfolio Valuation Review – December 31, 2022 (Feb. 6, 2023), KPMG-SBNY-PSI-0000026813 (on file with the Subcommittee).

KPMG's workpapers document the engagement team's formal conclusions that the bank had remediated all its deficiencies by year-end. However, documents reviewed by the Subcommittee suggest the bank resisted documentation requests by KPMG in some instances.[598] Regarding these communications between KPMG auditors and bank

[597] *See* 2022 INV 12., *Remediation Valuation of Level 1 &2 Securities*, KPMG-SBNY-PSI-WP-0000026811 (on file with the Subcommittee); 2022 INV.INF.12A.0010, *REMEDIATION.C&A of IPV Report*, KPMG-SBNY-PSI-WP-0000026457 (on file with the Subcommittee); 2022 workpapers regarding the remediation of INV.11, KPMG-SBNY-PSI-WP-0000026752 at 26767 (on file with the Subcommittee); 2022 workpapers regarding the remediation of INV 07, KPMG-SBNY-PSI-WP-0000026660 at 26716 (on file with the Subcommittee); 2022 workpapers regarding the remediation of INV.INF12, KPMG-SBNY-PSI-WP-0000026847 at 26854 (on file with the Subcommittee); 2022 workpapers regarding the remediation of INV 13, KPMG-SBNY-PSI-WP-0000026383 at 26447 (on file with the Subcommittee).

[598] *See, e.g.*, Email from Senior Audit Manager, KPMG to Mike Keehlwetter, Audit Partner, (Jan. 31, 2023) KPMG-SBNY-PSI-0000035293 (on file with the Subcommittee).

employees, KPMG told the Subcommittee, "loose emails are not audit evidence."[599] However, accounting standards anticipate that auditors will exercise a certain level of professional judgment in determining what constitutes sufficient evidence in the scoping and execution of audit workpapers.[600] Given this context, the following communications raise questions regarding whether KPMG obtained sufficient information to determine whether the bank had, in fact, remediated its deficiencies.

In a January 2023 email exchange between KPMG auditors and Mr. Wyremski, Signature Bank's CFO, KPMG requested information to ensure it had "robust documentation" of the IPV deficiency.[601] A KPMG auditor provided rationale to Mr. Wyremski for why it was important to document details of Signature Bank's IPV, describing it as "the key control as it relates to valuation."[602] Mr. Wyremski responded, "I've had to deal with these situations a number of times, write memos, etc. I'm just struggling with it in this instance… I believe we're overthinking this."[603] The auditor escalated the matter to Mr. Keehlwetter, saying "getting some push back from Stephen [Wyremski]."[604] Mr. Keehlwetter told the Subcommittee that Signature Bank ultimately provided satisfactory responses to its questions.[605] However, email records obtained by the Subcommittee did not reveal any subsequent written communications from Signature Bank regarding the request for information about remediation of the IPV deficiency.

As KPMG worked to document evidence of remediation, the lead audit manager wrote to a KPMG colleague in February 2023, expressing frustration over the bank's seeming ambivalence towards its "SDs [significant deficiencies]," believing that the audit team was being left "holding the bag," to which his colleague replied, "[A]ggregate it to a MW [material weakness]," a joking reference to escalating the matter to a higher level of deficiency.[606]

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[599] Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, Appendix A, 51, (July 25, 2025) (on file with the Subcommittee).

[600] Pub. Co. Acct. Oversight Bd., *AS 1105: Audit Evidence*, Appendix B, https://pcaobus.org/oversight/standards/auditing-standards/details/AS1105 (last visited Sept. 11, 2025).

[601] Email from Senior Audit Manager, KPMG to Stephen Wyremski, CFO, Signature Bank (Jan. 30, 2023), KPMG-SBNY-PSI-0000035293 (on file with the Subcommittee).

[602] *Id*.

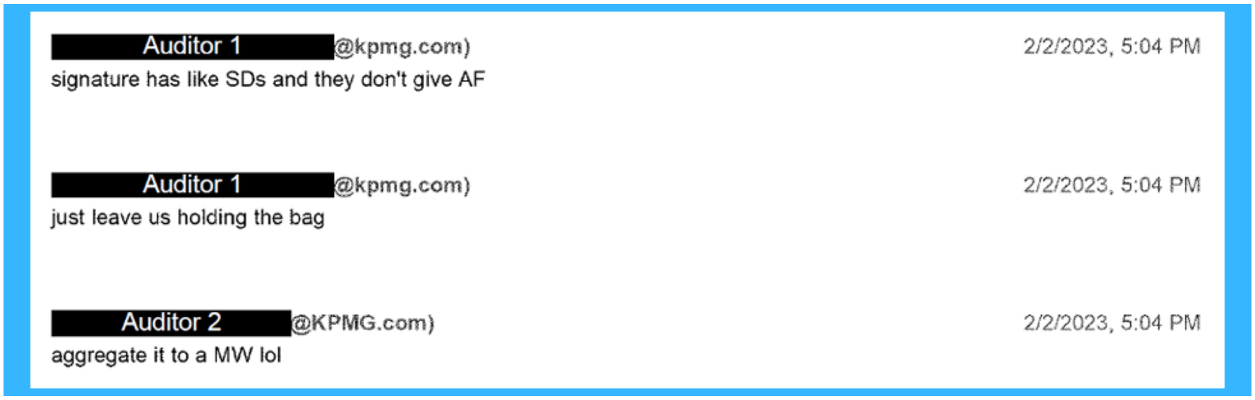
[603] *Id*.

[604] *Id*.

[605] *See* PSI Interview with Mike Keehlwetter, Audit Partner, KPMG (Jan. 9, 2024) at 128-29 ("we had an obligation to just make sure our documentation was going to satisfy our audit regulator."); *id*. at 126 ("I don't remember any significant instances where we weren't able to get what we wanted [from Signature Bank]."); *Id*. at 146-47; PSI Interview with Audit Senior Manager for Signature Bank Engagement Team, KPMG (Jan. 11, 2024) at 97.

[606] Internal KPMG Communications (Feb. 2, 2023), KPMG-SBNY-PSI-0000040438 at 40441 (on file with the Subcommittee). On July 25, 2025, KPMG told the Subcommittee: "Regarding the first Teams message, during his interview, the senior audit manager explained that 'holding the bag' meant to leave the

Figure 16: February 2, 2023 Internal Chat Between KPMG Signature Bank Lead Audit Manager and Colleague Regarding Significant Deficiency at Signature Bank


Auditor 1 [redacted]@kpmg.com) 2/2/2023, 5:04 PM
signature has like SDs and they don't give AF

Auditor 1 [redacted]@kpmg.com) 2/2/2023, 5:04 PM
just leave us holding the bag

Auditor 2 [redacted]@KPMG.com) 2/2/2023, 5:04 PM
aggregate it to a MW lol

Source: Internal chat between KPMG Signature Bank auditors (Feb. 2, 2023), KPMG-SBNY-PSI-0000040438 at 40441 (on file with the Subcommittee).

According to the lead audit manager for the Signature Bank engagement, Mr. Keehlwetter's role was to lead the team, while the lead audit manager's role was "doing the work on the ground."[607] In this capacity, the lead audit manager had auditors who reported directly to him.[608] The lead audit manager checked in with his team via instant message early on the morning on March 1, 2023, the day KPMG finalized its audit opinion and sent it to Signature Bank for inclusion in the bank's financial statement.[609] The lead audit manager sent a chat message to one of his subordinates, writing, "I'm going to send the opinions for finalizing/publishing," indicating the audit opinion was nearly complete and ready to send to Signature Bank.[610] The team proceeded to discuss what items needed to be finalized before KPMG had officially completed their work for the year-end audit.[611] Amidst this discussion on issues the team was completing, the lead audit manager reported, "investments was a complete mess.... [T]ried my best fixing it up."[612]

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engagement team waiting, and that he was hoping to get the evidence needed to complete the audit work as soon as possible." Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, Appendix A, 53 (July 25, 2025) (on file with the Subcommittee).

[607] PSI Interview with Audit Senior Manager for Signature Bank Engagement Team, KPMG (Jan. 11, 2024) at 26.

[608] *Id.* at 11.

[609] KPMG Internal Communications, (Mar. 1, 2023) KPMG-SBNY-PSI-0000038905 at 38906 (on file with the Subcommittee).

[610] *Id*.

[611] *Id*.

[612] *Id.* On July 25, 2025, KPMG told the Subcommittee: "the senior audit manager explained in his interview that his comment "investments was a complete mess" related to the fact that there was a significant deficiency in the area, and "tried my best fixing it up, but it was whoa" related to the level of documentation that had to be prepared in response, which he described as burdensome." Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, Appendix A, 53 (July 25, 2025) (on file with the Subcommittee).

Figure 17: March 1, 2023 Internal Chat Between KPMG Signature Bank Lead Audit Manager and Colleague Regarding Significant Deficiency at Signature Bank

Auditor 1 @kpmg.com) 3/1/2023, 6:54 AM
investments was a complete mess

Auditor 2 @KPMG.com) 3/1/2023, 6:54 AM
which part

Auditor 1 @kpmg.com) 3/1/2023, 6:54 AM
tried my best fixing it up

Auditor 1 @kpmg.com) 3/1/2023, 6:55 AM
but it was whoa..

Source: Internal chat between KPMG Signature Bank auditors (Mar. 1, 2023), KPMG-SBNY-PSI-0000038905, at 38906 (on file with the Subcommittee).

According to the lead audit manager, his comment stating, “investments was a mess,” referred to work by the audit team to obtain documentation regarding the bank’s IPV deficiency.[613] The Subcommittee asked if the lead audit manager agreed with KPMG’s conclusion that the bank had remediated all deficiencies, even after its failure.[614] The lead audit manager replied, “I fully stand by the statements that I had made that [the] deficiency was remediated.”[615] On March 1, 2023, KPMG reported four individual deficiencies in a letter to the bank’s executive leadership and board of directors which, in the aggregate, amounted to a significant deficiency in Signature Bank’s internal controls over financial reporting.[616] Consistent with PCAOB standards, KPMG reported the significant deficiency to bank leadership in a letter, stating that all deficiencies “were remediated by year-end.”[617]

The loss of confidence in Signature Bank’s financial reporting by regulators, leading to its collapse on March 12, 2023, suggests inadequate recordkeeping within the bank.[618] This

[613] PSI Interview with Audit Senior Manager for Signature Bank Engagement Team, KPMG (Jan. 11, 2024) at 168.
[614] *Id*.
[615] *Id*.
[616] Letter from KPMG to Signature Bank (Mar. 1, 2023), KPMG-SBNY-PSI-WP-0000001185 at 1185-1186 (on file with the Subcommittee).
[617] *Id*.
[618] *See* U.S. Fed. Deposit Ins. Corp. *supra* note 12, at 9; N.Y. Dep’t Fin. Serv’s., *supra* note 64, at 35-36.

raises questions regarding whether the deficiencies KPMG communicated to the board reflected underlying flaws within the culture of the institution.[619]

According to the regulators who worked to help the bank raise capital during the weekend before it collapsed, Signature Bank failed to provide "timely, accurate, and complete information" about the assets on its balance sheet that it wanted to use as collateral for additional capital, triggering what a New York Department of Financial Services spokesperson reported to the press as a "crisis of confidence in the bank's leadership."[620] Unreliable IPV, whether due to outdated, spurious valuations or otherwise, could potentially obscure asset valuations and complicate regulatory response—conditions that could delay resolution and undermine market confidence during periods of stress.

e. Conclusion

KPMG's 2022 audit of Signature Bank reflected the work of nearly 200 KPMG employees who billed time to the engagement for approximately $2.2 million in fees.[621] At its conclusion, KPMG's 2022 audit of Signature Bank resulted in an unqualified audit opinion.[622] Regulatory reports following the collapse of Signature Bank portray an institution uniquely ill-prepared to survive the market shock that followed the collapse of Silicon Valley Bank.[623] The Subcommittee's review found that KPMG identified numerous concerns within the bank's risk management and recordkeeping during the course of its 2022 audit that resonated with those identified by regulators as leading to its collapse.[624] However, at times, the auditor struggled to obtain the records it needed from the bank to review its financial condition.[625] Despite these challenges, KPMG represented to the board of directors that the deficiencies in the bank's financial reporting had been "remediated by year-end."[626] The extent of the bank's haphazard financial reporting became apparent to regulators in the 48 hours

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[619] PSI Interview with Audit Senior Manager for Signature Bank Engagement Team, KPMG (Jan. 11, 2024) at 81.

[620] *See* Geoff Mulvihill, *Signature Bank's demise: Contagion or a problem with the business?*, AP NEWS (Mar. 15, 2023), https://apnews.com/article/signature-bank-fdic-new-york-svb-40c361918e2bc9c20d7b19b683b01f65.

[621] Letter from Counsel for KPMG to the Permanent Subcomm. on Investigations, Appendix A-2 (June 7, 2023) (on file with the Subcommittee); Signature Bank Discussion with the Examining Committee, *Audit and Professional Services Fees* (Feb. 23, 2023), KPMG-SBNY-PSI-0000025017 at 25041 (on file with the Subcommittee).

[622] *See* Signature Bank, Annual Report (Form 10-K) (Mar. 1, 2023); *infra* Findings II(b), II(d).

[623] *See* U.S. Fed. Deposit Ins. Corp *supra* note 12, at i-ii, 2-3; U.S. FED. DEPOSIT INS. CORP, OFF. OF THE INSPECTOR GENERAL, EVAL-24-02, MATERIAL LOSS REVIEW OF SIGNATURE BANK OF NEW YORK, EVALUATION REPORT (2023), https://www.fdicoig.gov/sites/default/files/reports/2023-10/EVAL-24-02.pdf; N.Y. Dep't Fin. Serv's., *supra* note 64, at 5-6.

[624] *See supra* Finding II (b)-(d).

[625] *See supra* Finding II (d).

[626] Letter from KPMG to Signature Bank (Mar. 1, 2023), KPMG-SBNY-PSI-WP-0000001185 at 1185 (on file with the Subcommittee); *see supra* Finding II(d).

following the collapse of Silicon Valley Bank.[627] Following the collapse of Signature Bank, the FDIC and the New York Department of Financial Services identified multiple flaws in the bank's recordkeeping that stymied their efforts to bail out the institution, ultimately contributing to its collapse.[628] Despite the fact that KPMG had issued an unqualified audit opinion days earlier, regulators determined letting the bank survive would have threatened the safety and soundness of the entire financial system.[629]

[627] N.Y. Dep't Fin. Serv's., *supra* note 64, at 5-6.
[628] *Id.*; U.S. Fed. Deposit Ins. Corp., *supra* note 12.
[629] N.Y. Dep't Fin. Serv's., *supra* note 64, at 39.

Finding III: First Republic Bank

III. KPMG Continued to Evaluate First Republic Bank in the Weeks Following the Release of Its 2022 Financial Statement and Prior to Its Collapse

a. KPMG Issued an Unqualified Audit of First Republic Bank on February 28, 2023, Eight Weeks Before Its Failure

KPMG began planning the 2022 audit for First Republic Bank shortly after the bank issued its 2021 financial statement.[630] KPMG presented its 2022 audit plan to the bank's board of directors on May 2, 2022, including a proposed timeline that showed KPMG planning its audit and conducting initial risk assessment procedures from March through May of 2022 and implementing tests, performing walkthroughs, and providing updates to the bank on audit progress from June through December of 2022.[631] The timeline set the completion of the audit for February 2023.[632] As is typical for audit plans, KPMG's May 2022 presentation to the board listed a number of areas it viewed as risks going into the 2022 audit.[633] These included factors assessing KPMG's risk assessment and audit approach, including "complexities in the valuation… balance in relation to materiality… [and] recent significant economic events that impact the quantitative and qualitative components."[634]

In the aftermath of the bank's collapse, the FDIC noted: "First Republic had historically been a respected, well-run bank and was responsive to supervisory feedback and recommendations."[635] The FDIC pointed to the failure of Silicon Valley Bank and Signature Bank as creating market contagion that impacted First Republic Bank.[636] While First Republic Bank's management understood that rising interest rates were impacting the banking industry as the audit progressed, the bank's leadership believed their business model could withstand the turbulence.[637] To that end, CEO Mike Roffler reported to the board of directors during a January 2023 audit committee meeting that "credit risk due to a worsening economy was less of a risk… due to the Bank's conservative credit culture and historic credit and credit default performance."[638]

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[630] *See* First Republic Bank Discussion with the Audit Committee, (May 2, 2022) KPMG-FRB-PSI-WP-0000012877 at 12902 (on file with the Subcommittee).

[631] *See id*.

[632] *See id*.

[633] *See id*.

[634] First Republic Bank Discussion with the Audit Committee, *Significant risks*, (May 2, 2022) KPMG-FRB-PSI-WP-0000012877 at 12893 (on file with the Subcommittee).

[635] U.S. Fed. Deposit Ins. Corp., *supra* note 9, at 2.

[636] *See id*.

[637] First Republic Bank Audit Committee Meeting Minutes (Jan. 11, 2023) PSI00004632 at 4633 (on file with the Subcommittee).

[638] *Id*.

Like the bank's regulators and management, KPMG also felt the bank was well-positioned to weather rising interest rates.[639] A KPMG audit partner told the Subcommittee: "All of the metrics were positive... all indications as of the opinion date were that it was a good bank."[640] The KPMG audit team presented the results of its audit with First Republic Bank's board of directors on February 23, 2023.[641] In their audit opinion, KPMG found: "No material weakness and significant deficiencies. . . during the year."[642] On February 28, the KPMG audit team emailed First Republic Bank the signed auditor's opinion to be included in the bank's annual financial statement.[643] Following the completion of the audit, the lead audit partner (hereinafter Lead Audit Partner 1) rotated off of the engagement, pursuant to PCAOB standards, and a new partner joined the engagement as lead audit partner for the 2023 audit (hereinafter Lead Audit Partner 2).[644]

b. KPMG Provided Accounting Guidance to First Republic Bank in the Months Following the Collapse of Silicon Valley Bank and Signature Bank

i. KPMG Increased its Scrutiny of First Republic Bank's Ability to Continue as a Going Concern Following the Failure of Silicon Valley Bank

Lead Audit Partner 2 told the Subcommittee that the market turbulence that led to the collapse of Silicon Valley Bank and Signature Bank in March 2023 was a "surprise" that led to "discussions around what are you seeing in the other banks... what are your thoughts on contagion risk, where does this go."[645] According to an internal KPMG email, Lead Audit Partner 2 and First Republic Bank's CFO, Neal Holland, had a call on March 10, the day Silicon Valley Bank collapsed, during which Mr. Holland informed KPMG that First Republic Bank would release a statement "reiterating their strong liquidity position, capital levels, etc." in response to the market turmoil.[646]

On March 13, 2023, the Monday after Silicon Valley Bank and Signature Bank failed, Lead Audit Partner 2 asked his team to send him the going concern analysis that KPMG had completed in February 2023 for First Republic Bank's 2022 audit so he could review it as he

[639] *See* PSI Interview with Lead Audit Partner 1, KPMG (Jan. 10, 2024) at 72.

[640] *Id*.

[641] First Republic Bank Discussion with the Audit Committee, *Summary: Audit results required communications and other matters* (Feb. 23, 2023), KPMG-FRB-PSI-0000018635 at18636 (on file with the Subcommittee)

[642] *Id*.

[643] Email from Managing Director, KPMG to First Republic Bank (Feb. 28, 2023) KPMG-FRB-PSI-0000028944 (on file with the Subcommittee).

[644] PSI Interview with Lead Audit Partner 2, KPMG (Feb. 29, 2024) at 15.

[645] *Id*. at 23.

[646] Internal KPMG Email Communication (Mar. 10, 2023), KPMG-SVB-PSI-0000015474 (on file with the Subcommittee); *First Republic Bank (FRC) reiterates continued safety and stability and strong capital and liquidity positions*, STREET INSIDER (Mar. 10, 2023), https://www.streetinsider.com/dr/news.php?id=21355863.

felt it was a "higher risk topic" following the collapses of Silicon Valley Bank and Signature Bank.[647] While auditors conduct a going concern analysis of their client at the end of their audit, the company itself also conducts its own going concern analysis.[648] Lead Audit Partner 2 told the Subcommittee the bank updated its going concern analysis every quarter, but KPMG would not necessarily review each quarterly update depending on the bank's circumstances at the time.[649] He said that after the collapse of Silicon Valley Bank and Signature Bank, KPMG planned to review the bank's going concern analysis every quarter going forward.[650] The bank's going concern analysis for the first quarter of 2023 would have informed its 10-Q quarterly financial statement.[651] A 10-Q is similar to a 10-K, and it is filed quarterly with the SEC to update investors on a company's financial performance and operations.[652] However, the bank's 10-Q was scheduled to be completed on May 9, eight days after the bank collapsed, and thus was never issued.[653]

ii. KPMG Provided Accounting Guidance to First Republic Bank as the Bank Considered Ways to Generate Capital in Early 2023

In response to the instability in the banking industry in early 2023, management at First Republic Bank sought KPMG's guidance as the bank explored options for raising capital.[654] Like Silicon Valley Bank, First Republic Bank had classified most of its assets as HTM.[655] By March 2023, the shifting interest rate environment decreased the market value of First Republic Bank's HTM loans and securities by approximately $27 billion.[656] If First Republic Bank had lost its HTM classification for its loans and securities in March 2022, the total realized loss would have amounted to more than the equity of the entire bank.[657]

By the evening of Sunday, March 12, 2023, after Silicon Valley Bank failed and before markets opened the next morning, First Republic Bank announced that it had secured access to

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[647] Email from Lead Audit Partner 1, KPMG to Audit Managing Director, KPMG (Mar. 14, 2023), KPMG-FRB-PSI-0000034356 (on file with the Subcommittee); PSI Interview with Lead Audit Partner 2, KPMG (Feb. 29, 2024) at 79.

[648] PSI Interview with Lead Audit Partner 2, KPMG (Feb. 29, 2024) at 164.

[649] *Id*.

[650] *See* PSI Interview with Lead Audit Partner 2, KPMG (Feb. 29, 2024) at 162-64; FDIC Quarterly Meeting with KPMG (Apr. 11, 2023) PSI00002766 at 2766 (on file with the Subcommittee).

[651] Pub. Co. Acct. Oversight Bd., *AU Section: 722A Interim Financial Information*, https://pcaobus.org/oversight/standards/archived-standards/details/AU722A (last visited Sept. 12, 2025).

[652] U.S. Sec. & Exch. Comm'n, *Form 10-Q*, https://www.sec.gov/about/forms/form10-q.pdf (last visited Sept. 12, 2025).

[653] *See* PSI Interview with Lead Audit Partner 2, KPMG (Feb. 29, 2024) at 83, 97.

[654] *See e.g.*, Email from Audit Partner, KPMG to Partner, KPMG (Mar. 17, 2023), KPMG-FRB-PSI-0000034969 (on file with the Subcommittee).

[655] U.S. Fed. Deposit Ins. Corp., *supra* note 9, at 14-15.

[656] *Id*.

[657] *See id*.

additional liquidity from the Federal Reserve and JPMorgan Chase.[658] This averted failure the next day, as $40 billion of deposits were withdrawn from the bank.[659] Still, the bank continued exploring options to monetize its assets, including its HTM portfolio.[660] On March 17, 2023, Lead Audit Partner 2 emailed a partner at KPMG's headquarters in New York, stating that the bank's CFO "wants to understand if there is any impact on the HTM portfolio if the[y] move some of the loan portfolio to AFS." [661] He said that the bank was "currently going through an evaluation of their business model and business plan to reposition themselves for their new reality."[662] The partner in New York responded the same day with concerns about the bank being able to maintain the HTM classification for their entire HTM portfolio if they sold any of their HTM assets, saying "I think in general for HTM the assertion that they have the positive intent to hold to maturity is going to be a hurdle for Q1."[663]

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658 *See* Rachel Louise Ensign, Ben Foldy, David Benoit, *First Republic Gets Additional Funding From Fed, JPMorgan*, WALL ST. J. (Mar. 12, 2023), https://www.wsj.com/articles/first-republic-gets-additional-funding-from-fed-jpmorgan-d11e68ca.

659 Martin J. Gruenberg, Chairman, Fed. Deposit Ins. Corp., Testimony to the S. Committee on Banking, Housing and Urban Affairs: Oversight of Financial Regulators Financial Stability, Supervision, and Consumer Protection in the Wake of Recent Bank Failures (May 18, 2023), https://www.fdic.gov/news/speeches/2023/spmay1723.html.

660 *See* Email from Audit Partner, KPMG to Partner, KPMG (Mar. 17, 2023), KPMG-FRB-PSI-0000034969 (on file with the Subcommittee).

661 *Id*.

662 *Id*.

663 Email from Partner, KPMG to Audit Partner, KPMG (Mar. 17, 2023), KPMG-FRB-PSI-0000033654 (on file with the Subcommittee).

Figure 18: March 17, 2023 Email from KPMG Partner to Lead Audit Partner 2 Regarding Intent and Ability to Hold Assets to Maturity

Message

From: NY Partner [redacted]

Sent: 3/17/2023 11:03:29 AM
To: Lead Audit Partner 2 [redacted]
Subject: Re: FRB

Ok. We can discuss but like we chatted about yesterday I think in general for HTM the assertion that they have the positive intent to hold to maturity is going to be a hurdle for Q1. I would start to condition the client that this will be an issue as based on the below it doesn't sound like they have processed that yet.

Sent from my iPhone

Source: Email from KPMG Partner to Lead Audit Partner 2 (March 17, 2023), KPMG-FRB-PSI-0000033654 (on file with the Subcommittee).

Lead Audit Partner 2 replied to the partner in New York that he had made concerns about the HTM classification "crystal clear" to the bank's CEO, CFO, and Deputy CFO, noting however: "They are likely to move everything to AFS prior to QE [quarter end] and begin[] selling."[664] Meeting minutes generated by the FDIC during an April 11, 2023 quarterly meeting between the FDIC and KPMG show that the auditors told the regulator they did "not expect that management is planning on selling any AFS or HTM securities, and it makes better financial sense to use them to pledge to borrow money instead of taking a hit on capital by selling securities and possibly also triggering a negative news event."[665]

While accounting guidance allows a company to sell its HTM securities in the case of a bank run, according to Lead Audit Partner 2, the turmoil facing the banks in the "5, 10, 15 days subsequent to the failure of SVB would not have constituted a bank run."[666] Lead Audit Partner 2 commented further that accounting guidance doesn't provide for an exception until the bank is at "its final dollar, which at that point, to have that exception, the standard kind of becomes useless."[667] Ultimately, First Republic Bank failed before it sold or transferred assets out of its HTM portfolio, though Lead Audit Partner 2 told the

[664] Email from Audit Partner, KPMG to Partner, KPMG (Mar. 17, 2023), KPMG-FRB-PSI-0000032303 (on file with the Subcommittee).
[665] Minutes from Quarterly Meeting between Fed. Deposit Ins. Corp and KPMG (Apr. 11, 2023), PSI00002766 at 2768 (on file with the Subcommittee).
[666] PSI Interview with Lead Audit Partner 2, KPMG (Feb. 29, 2024) at 33.
[667] *Id*.

Subcommittee the decision whether to sell HTM securities "was ongoing and there was no formal decision made."[668]

iii. *KPMG Reviewed First Republic Bank's Going Concern Analysis in the Days Before the Bank Collapsed*

While KPMG conducted a going concern analysis of First Republic Bank in its year-end audit, the auditors simply reviewed the going concern analysis conducted by First Republic Bank for its quarterly financial statements.[669] First Republic Bank sent KPMG a draft of its first quarter going concern analysis in mid-April 2023.[670] The analysis would potentially determine whether the bank should disclose a going concern risk in its 10-Q quarterly earnings report.[671] Where substantial doubt of an entity's ability to continue as a going concern exists, PCAOB guidance states an entity should disclose as much in its financial statements.[672] This applies both to 10-K annual financial statements and 10-Q quarterly financial statements.[673] KPMG reviewed and returned feedback for First Republic Bank's going concern analysis on April 20, 2023.[674] Lead Audit Partner 2 told the Subcommittee that the bank did not need KPMG's approval for their quarterly earnings press release on April 24, but would not have been able to issue its 10-Q, scheduled for May 9, 2023 until KPMG had reviewed its going concern analysis and "signed off" on it.[675]

Lead Audit Partner 2 and a partner in KPMG's New York headquarters left over 22 comments on the bank's going concern analysis, raising questions about the basis for the bank's

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[668] *Id.* at 42, 53-54.

[669] *Id.* at 164.

[670] *Id.* at 87.

[671] *Id* at 87, 89-90.

[672] *See* Pub. Company Acct. Oversight Bd., *AU Section 508: Reports on Audited Financial Statements*, https://pcaobus.org/oversight/standards/archived-standards/pre-reorganized-auditing-standards-interpretations/details/AU508 (last visited Sept. 12, 2025); Pub. Company Acct. Oversight Bd., *AU Section: 722A Interim Financial Information*, https://pcaobus.org/oversight/standards/archived-standards/details/AU722A (last visited Sept. 12, 2025).

[673] *See AU Section 508: Reports on Audited Financial Statements*, *supra* note 672; *AU Section: 722A Interim Financial Information*, *supra* note 672.

[674] First Republic Bank Internal Memorandum (May 9, 2023), KPMG-FRB-PSI-0000044229 (on file with the Subcommittee). On July 25, 2025, KPMG told the Subcommittee: "If, in performing the review procedures required under AS 4105, 'the accountant becomes aware of information that leads him or her to believe that the interim financial information may not be in conformity with generally accepted accounting principles in all material respects, the accountant should make additional inquiries or perform other procedures that the accountant considers appropriate.' This is exactly what KPMG did and was in the process of doing up to the date the bank was placed in receivership." (citing AS 4105.22). Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, Appendix A, 68 (July 25, 2025) (on file with the Subcommittee).

[675] PSI Interview with Lead Audit Partner 2, KPMG (Feb. 29, 2024) at 177.

analysis of its long term viability.[676] Lead Audit Partner 2 told the Subcommittee that KPMG would have performed formal audit procedures for the bank's 10-Q interim financial statement that would have been released on May 9, 2023.[677]

Lead Audit Partner 2 told the Subcommittee that he read the bank's April 24, 2023 quarterly earnings release, but that he did not review it in a "technical context," meaning that he did not provide a formal audit opinion on it.[678] Lead Audit Partner 2 explained that KPMG was not obligated by PCAOB standards to provide an assessment of the quarterly earnings release that the bank issued on April 24 and that the 10-Q quarterly report, which would have been published on May 9, was never finalized.[679] According to Lead Audit Partner 2, the going concern analysis he reviewed was "still a work in process."[680] While KPMG returned the draft to the bank, with comments prior to the release of the bank's earnings release, Lead Audit Partner 2 told the Subcommittee that First Republic Bank officials did not respond to any of the comments prior to the bank's collapse on May 1.[681]

Many of the comments made by Lead Audit Partner 2 and the partner in New York on the bank's first quarter going concern analysis questioned the assumptions made by the bank to support its ability to continue as a going concern.[682] For instance, First Republic Bank's analysis assumed that customers would continue to renew certificates of deposit at the bank ("CD") at historical levels.[683] CDs are a form of deposit that typically pays higher interest than regular savings accounts for money that a customer leaves untouched for a fixed term, with early withdrawals often incurring a penalty.[684] It was widely understood at the time, amidst rising interest rates and turmoil in the banking industry following the failures of Silicon Valley Bank and Signature Bank, that consumers generally preferred money market funds to CDs.[685] The partner in New York asked about this phenomenon in a comment on the

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[676] *See* First Republic Bank Internal Memorandum, *Q1 2023 Going Considerations* (May 9, 2023), KPMG-FRB-PSI-0000044229, 44233-44238 (on file with the Subcommittee).

[677] *See* PSI Interview with Lead Audit Partner 2, Lead Audit Partner, KPMG (Feb. 29, 2024) at 99-100.

[678] *Id*.

[679] *See id.* at 93.

[680] *Id.* at 94.

[681] *See id*.

[682] *See id.* at 105.

[683] *See* First Republic Bank Internal Memorandum, *Q1 2023 Going Considerations* (May 9, 2023), KPMG-FRB-PSI-0000044229, 44234 (on file with the Subcommittee).

[684] *See* Jason Fernando, *What Is a Certificate of Deposit (CD)? Pros and Cons*, INVESTOPEDIA, https://www.investopedia.com/terms/c/certificateofdeposit.asp (last updated Apr. 28, 2025).

[685] *See* Jeff Sommer, *Money Market Rates Are Lower, Yes. But Compared to What?*, N.Y. TIMES (Oct. 18, 2024), https://www.nytimes.com/2024/10/18/business/money-market-rates-stocks-bonds-inflation.html; Gara Afonso, Marco Cipriani, Catherine Huang, Abduelwahab Hussein & Gabriele La Spada, *Monetary Policy Transmission and the Size of the Money Market Fund Industry: An Update*, FED. RSRV. BANK OF N.Y. LIBERTY ST.

going concern analysis, writing: "What about outflows attributed to reinvesting in higher yielding products?"[686] The partner in New York left another comment noting that First Republic Bank's customers were so eager to exit CDs that they cumulatively accrued $60 million in early withdrawal penalties, writing, "why is it reasonable to assume renewals revert to historical levels?"[687]

Figure 19: Comment Generated by KPMG First Republic Bank Lead Audit Partner on First Republic Bank's Going Concern Analysis for Its 1st Quarter 2023 Interim Financial Statement

> **Commented [redacted]:** Given that there were significant CD breaks in March (approx. $60 mil of penalty income) why is it reasonable to assume renewals revert to historical levels? How have renewals looked for the first 20 days of April?

Source: First Republic Bank Draft Memorandum on Q1 2023 Going Concern Considerations reviewed by KPMG (Apr. 20, 2023), KPMG-FRB-PSI-0000044202 at 44207 (on file with the Subcommittee)

The Subcommittee's review of various drafts of the bank's going concern analysis does not indicate that KPMG received satisfactory answers to these questions.[688] In another comment, the partner in New York raised concerns regarding the assumptions the bank made around the risk of further deposit outflow.[689] He pointed out that, according to the bank's analysis, a deposit outflow greater than $10 billion over the next year would cause the bank to fail, stating: "They will need to better document why they don't believe that is probable."[690] According to the draft of the bank's quarterly earnings release reviewed by

ECON. (Apr. 3, 2023), https://libertystreeteconomics.newyorkfed.org/2023/04/monetary-policy-transmission-and-the-size-of-the-money-market-fund-industry-an-update/; Alex Harris et al., *US Banks Are Finally Being Forced to Raise Rates on Deposits*, BLOOMBERG (Mar. 6, 2023).https://www.bloomberg.com/news/articles/2023-03-06/banks-forced-to-jack-up-cd-rates-to-stanch-bleeding-on-deposits.

[686] First Republic Bank Internal Memorandum, *Q1 2023 Going Considerations* (May 9, 2023), KPMG-FRB-PSI-0000044229 at 44235 (on file with the Subcommittee).

[687] First Republic Bank Draft Memorandum on *Q1 2023 Going Concern Considerations reviewed by KPMG* (Apr. 20, 2023), KPMG-FRB-PSI-0000044202, 44207 (on file with the Subcommittee).

[688] *See, e.g.*, First Republic Bank Internal Memorandum, *Q1 2023 Going Considerations* (May 9, 2023), KPMG-FRB-PSI-0000044229 (on file with the Subcommittee); First Republic Bank Internal Memorandum, *Q1 2023 Going Considerations*, (May 9, 2023) KPMG-FRB-PSI-0000044202 (on file with the Subcommittee).

[689] *See* First Republic Bank Internal Memorandum, *Q1 2023 Going Considerations* (May 9, 2023), KPMG-FRB-PSI-0000044229 at 44233 (on file with the Subcommittee).

[690] *Id*.

KPMG, the bank had lost approximately $100 billion in deposit outflows between December 31, 2022, and March 31, 2023.[691] Lead Audit Partner 2 acknowledged to the Subcommittee this was ten times the amount that (according to the bank's own going concern analysis) would have triggered a collapse of the bank.[692] KPMG returned the draft with comments on April 20, 2023.[693] The next day, Lead Audit Partner 2 attended a meeting of the bank's board of directors. Lead Audit Partner 2 provided an update on the going concern analysis, telling the board KPMG's review of the going concern analysis was "an open item," but did not flag any issues with it.[694]

Lead Audit Partner 2 told the Subcommittee he never explicitly raised concerns about the bank's going concern analysis with anyone at the bank in the following exchange.[695]

> [PSI]: But you never explicitly said that you had any issues or concerns, you left the comments and waited for them to respond?
>
> [Lead Audit Partner 2]: Correct.
>
> [PSI]: And did you ever explicitly tell the client or the board of directors that you felt the assumptions were a stretch?
>
> [Lead Audit Partner 2]: No.

Lead Audit Partner 2 told the Subcommittee First Republic Bank did not respond to any of KPMG's comments on its going concern analysis prior to its failure, either by providing a narrative response or by offering additional evidence to demonstrate the basis of their assumptions.[696] Lead Audit Partner 2 told the Subcommittee he never received another version of the going concern analysis after the document he reviewed on April 20, 2023 before the bank's collapse, but he had a "number of conversations" about the numbers and assumptions in the document with bank employees.[697] He told the Subcommittee he would

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[691] *See First Republic Reports First Quarter 2023 Results*, BUSINESSWIRE (Apr. 24, 2023), https://www.businesswire.com/news/home/20230424005719/en/First-Republic-Reports-First-Quarter-2023-Results.

[692] *See* PSI Interview with Lead Audit Partner 2, KPMG (Feb. 29, 2024) at 100-101.

[693] *See id.* at 165.

[694] *Id.*

[695] *Id.* at 178.

[696] *See id.* at 99.

[697] *Id.* at 104.

not have signed off on the review of the going concern analysis if the bank was unable to make updates to the document.[698]

First Republic Bank failed eight days before the planned release of its 10-Q interim financial statement.[699] However, the bank issued its quarterly earnings release on April 24, 2023 without disclosing any risks relating to either its ability to continue as a going concern or its intent and ability to hold its HTM assets to maturity.[700] The Subcommittee is not aware of whether First Republic Bank would have disclosed these risks in its 10-Q. Furthermore, despite Lead Audit Partner 2's assurances, there is no way to know whether KPMG would have given its approval to the 10-Q without such disclosures. Nevertheless, the Subcommittee's review did not find any evidence KPMG challenged First Republic Bank before it issued its earnings release without disclosing any risks associated with its ability to continue as a going concern or its intent and ability to hold its HTM assets to maturity.[701]

c. Conclusion

For its work on First Republic Bank's 2022 audit, KPMG ultimately assessed a total of $6.5 million in fees for the work of approximately 120 personnel.[702] At its conclusion, KPMG's 2022 audit of First Republic Bank resulted in an unqualified audit opinion.[703] Following the collapse of First Republic Bank, the FDIC identified steps that the bank should have taken to better withstand the market contagion after the collapses of Silicon Valley Bank and Signature Bank.[704] For instance, according to the FDIC, First Republic Bank failed to anticipate flaws in its business model, which was reliant on high net-worth individuals who represented a concentrated base of uninsured, rate-sensitive deposits.[705] This left the bank

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[698] *Id.* at 105.

[699] *See id.* at 83; U.S. Fed. Deposit Ins. Corp., *FDIC's Supervision of First Republic Bank*, 6 (Sept. 8, 2023), https://www.fdic.gov/news/press-releases/2023/pr23073a.pdf.

[700] *See* Businesswire, *First Republic Reports First Quarter 2023 Results* (Apr. 24, 2023), https://www.businesswire.com/news/home/20230424005719/en/First-Republic-Reports-First-Quarter-2023-Results.

[701] *See, e.g.*, PSI Interview with Lead Audit Partner 2, KPMG (Feb. 29, 2024) at 178; Email from Audit Partner, KPMG to Partner, KPMG (Mar. 17, 2023), KPMG-FRB-PSI-0000032303 (on file with the Subcommittee).

[702] Letter from KPMG to Permanent Subcomm. on Investigations (June 7, 2023); According to KPMG's presentation to the bank's board of directors, audit services included "[a]udits of the consolidated financial statements, interim reviews, statutory audits, and comfort letters rendered in connection with securities offerings," audit-related services included "SOC 1 Type 2 examination of internal control reports," and tax services included "Federal and State tax planning and general advice." *See* First Republic Bank Discussion with the Audit Committee: Audit and professional service fees (Feb. 23, 2023), KPMG-FRB-PSI-WP-0000013033 at 13042 (on file with the Subcommittee).

[703] *See supra* Finding III(a).

[704] *See* U.S. Fed. Deposit Ins. Corp., *supra* note 9, at 1, 17-18.

[705] *See id*.

acutely exposed to liquidity stress as interest rates rose and depositors began to flee.[706] The Subcommittee's review indicated that KPMG conducted a routine audit of First Republic Bank that did not include a particular focus on these risks.[707] As with Silicon Valley Bank and Signature Bank, the audit team for First Republic Bank reiterated that risk management is not within the scope of the work auditors are tasked with completing.[708] Yet, the proximity with which KPMG issued an unqualified audit of First Republic Bank and its ultimate failure raises questions regarding the current regime for auditing standards, as well as whether KPMG accurately understood its responsibilities to review its client's risks as part of a holistic assessment of the institution, as reiterated in a recent regulatory statement from the SEC.[709]

Regardless of current auditing practices, following the completion of the 2022 audit, the engagement team appeared to have avoided directly challenging their client as its condition grew increasingly dire.[710] Within days of the collapse of Silicon Valley Bank, KPMG re-assessed the survival of First Republic Bank as a "higher risk topic."[711] Behind the scenes, even as KPMG became increasingly concerned about the bank's ability to continue as a going concern, the auditors never explicitly challenged management or the board of directors regarding faulty assumptions on the part of First Republic Bank as the bank failed to present meaningful disclosures to the public.[712] The Subcommittee's review demonstrates that as the pressure facing First Republic Bank increased, KPMG did not discuss whether the bank might provide meaningful disclosures of relevant risks to the public in its April 24, 2023 earnings release, seven days before its failure.[713] Such risks, which mirrored those KPMG had flagged internally, included threats to the bank's ability to continue as a going concern and its intent and ability to hold its HTM assets to maturity.[714] It is unclear whether these risks would have been disclosed in the bank's planned 10-Q interim financial statement, as the bank failed before the 10-Q was due to be issued on May 9, 2023.

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[706] *See id*.

[707] *See supra* Finding III(a).

[708] *See, e.g.*, PSI Interview with Lead Audit Partner 1, KPMG (Jan. 10, 2024) at 9; PSI Interview with Lead Audit Partner 2, KPMG (Feb. 29, 2024) at 10, 19.

[709] *See* Paul Munter, *The Critical Importance of the General Standard of Auditor Independence and an Ethical Culture for the Accounting Profession*, SEC. EXCH. COMM'N (June 8, 2022), https://www.sec.gov/newsroom/speeches-statements/munter-20220608.

[710] *See supra* Finding III(b).

[711] *See* PSI Interview with Lead Audit Partner 2, KPMG (Feb. 29, 2024) at 79.

[712] *See supra* Finding III(b).

[713] *See supra* Finding III(b).

[714] *See supra* Finding III(b).

Finding IV: Auditor Independence

IV. *KPMG's Relationship with Silicon Valley Bank, Signature Bank, and First Republic Bank Demonstrated Potential Threats to the Independence of its Work*

The auditing industry is highly concentrated in a small number of firms, meaning that relationships between clients and their auditors tend to be long-lasting, and the revolving door between and among firms and their clients is continuous.[715] Threats to the independence of external auditors can harm transparency and damage the confidence of investors, leading to market disruption.[716] The Subcommittee's review of the relationship between KPMG and its client banks reveals how the current concentration of auditing firms, coupled with regulatory loopholes, led to closeness between KPMG and its audit clients that may have compromised the auditor's independence. While the Subcommittee's review did not find a direct causal link between the lucrative, longstanding relationships KPMG enjoyed with Silicon Valley Bank, Signature Bank, and First Republic Bank and the outcome of their respective audits, the apparent familiarity raises concerns relevant to the entire auditing industry.[717] KPMG is not the only large auditing firm known for having long audit tenures. According to a 2024 analysis, a total of 24 public companies have retained the same auditor (all from Deloitte, EY, or PwC) for 100 years or more.[718] Indeed, concerns about auditor independence stemming from lengthy auditing relationships have plagued the industry for decades, even prompting the Sarbanes-Oxley Act and the creation of the PCAOB following the Enron and WorldCom accounting scandals in 2001.[719]

a. KPMG Audited Each of the Failed Banks for Decades Before Their Collapse

When auditors become too familiar with their clients it can threaten auditor independence, which is more likely to occur when the business relationship spans many years.[720] KPMG has maintained long relationships with many of the businesses it audits, including with Silicon

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[715] *See* Steven M. Mintz, *The Case for and Against Mandatory Rotation of Audit Firms*, TXCPA (Mar. 2024), https://www.tx.cpa/resources/txcpa-magazine/march-april-2024/2024/03/06/the-case-for-and-against-mandatory-rotation-of-audit-firms (last visited Sept. 8, 2025).

[716] *See* Corp. Fin. Inst., *Threats to Auditor Independence*, https://corporatefinanceinstitute.com/resources/accounting/threats-to-auditor-independence/ (last visited Sept. 8, 2025).

[717] *See generally,* John Means, *Audit tenure centenarians*, IDEAGEN (Nov. 22, 2024), https://www.ideagen.com/thought-leadership/blog/audit-tenure-centenarians.

[718] *Id.*

[719] *See* Nikita Patel, Comment, *Auditor Independence: Moving Toward Harmonization or Simplification?*, 97 S. Cal. L. Rev. 495 (2024), https://southerncalifornialawreview.com/2024/06/22/auditor-independence-moving-toward-harmonization-or-simplification/.

[720] *See* Corp. Fin. Inst., *supra* note 716.

Valley Bank, Signature Bank, and First Republic Bank.[721] Auditing firms are guided by PCAOB rules governing independence, but these rules are not exhaustive. In particular, U.S. auditing regulations do not fully anticipate the threats posed to independence when the audit-client relationship extends over a long period of time.[722] The familiarity that can come with a long-term auditing relationship can jeopardize auditors' ability to provide an unbiased and professional opinion of their client's financial reporting.[723] Research indicates that longer audit firm tenure can have a negative effect on audit quality, which can cause auditors to take longer to find and remedy misstatements, and lead to misstatements of greater magnitude, creating additional barriers to investors receiving accurate information about the companies in which they invest.[724]

Prior to the bank failures, KPMG audited Silicon Valley Bank, Signature Bank, and First Republic Bank for decades.[725] At the conclusion of the 2022 audits, KPMG had served as auditor for Signature Bank since it was founded in 2001 and Silicon Valley Bank since 1994.[726] KPMG had also been First Republic Bank's auditor since 1989, except for three years from 2007 to 2010 when the bank was briefly owned by Merrill Lynch.[727] Concerns regarding the length of audit tenures are commonly raised when auditors make problematic judgment calls. For example, when Wells Fargo, which KPMG has audited for nearly a century, was discovered in 2016 to have opened millions of fraudulent accounts to meet sales quotas, KPMG acknowledged it had been aware of "unethical and illegal conduct" since 2013, but did not raise the issue because it felt "the misconduct described did not implicate any key controls over financial reporting."[728] In 2018, prominent shareholder advisory firms Glass Lewis and Institutional Shareholder Services recommended that Wells Fargo shareholders replace the bank's auditor, stating concerns about "the severity of the fraudulent account activity and KPMG's prior knowledge of the incident" were "heightened by the fact that KPMG

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[721] SVB Fin. Group., Annual Report (Form 10-K), 94 (Feb. 24, 2023); Signature Bank, Annual Report (Form 10-K), 120 (Mar. 1, 2023); Chris Hughes, *Look Who Fell into the First Republic Rut*, BLOOMBERG (May 8, 2023), https://www.bloomberg.com/opinion/articles/2023-05-08/first-republic-its-board-members-and-kpmg-hung-around-each-other-for-too-long.

[722] *See* Steven M. Mintz, *supra* note 715.

[723] *See* Corp. Fin. Inst., *supra* note 716.

[724] *See* Zvi Singer & Jing Zhang, *Auditor Tenure and the Timeliness of Misstatement Discovery*, 93 ACCT. REV. 315, 315-338 (2018), https://corpgov.law.harvard.edu/wp-content/uploads/2018/06/AR318-AuditrTenureMisstateJNL.pdf.

[725] SVB Fin. Group., Annual Report (Form 10-K), 94 (Feb. 24, 2023); Signature Bank, Annual Report (Form 10-K), 120 (Mar. 1, 2023); Chris Hughes, *supra* note 721.

[726] SVB Fin. Group., Annual Report (Form 10-K), 94 (Feb. 24, 2023); Signature Bank, Annual Report (Form 10-K), 120 (Mar. 1, 2023); *See* Chris Hughes, *supra* note 721.

[727] *See* Chris Hughes, *supra* note 721.

[728] Letter from Lynne M. Doughtie, Chairman & CEO, KPMG, to Hon. Elizabeth Warren, Senator, U.S. Senate (Nov. 28, 2016), https://www.warren.senate.gov/files/documents/2016_11_28_KPMG_Response.pdf.

has served as the company's auditor since 1931."[729] Despite these recommendations, over 90 percent of Wells Fargo's shareholders voted to retain KPMG as the bank's auditor.[730]

b. At Least 11 Individuals with Key Audit Roles for the 2022 Audits of Silicon Valley Bank, Signature Bank, and First Republic Bank Had Prior Ties to KPMG or the Banks They Were Auditing

Relationships between former auditors who leave to work for banks they once audited can also threaten auditor independence.[731] While auditing regulations cover some aspects of these types of conflicts, such as imposing "cooling off" periods or restricting certain types of financial or romantic relationships between auditors and their clients, they do not exhaustively consider the cumulative effect that the revolving door between auditing firms and their clients can have on the independence of audits.[732] Research indicates that auditors tend to prefer hiring individuals who previously worked at their firm, even if they did not know each other prior to the audit engagement.[733] One analysis of hiring practices found that clients are 30 percent more likely to hire executives who had previously worked for their current auditor.[734] This overlap can cause auditors to be more deferential to alumni of their firm.[735] A 2018 study found that 76 percent of auditors were more willing to adopt a client's position on a conjectural accounting matter if the client's CFO was an alumni of their firm, as opposed to only 39 percent who were willing to accept the position if they had no indication of the CFO's prior work history.[736]

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[729] Kevin Wack, *Wells Fargo execs, directors got the boot. Will its auditor be next?*, AMERICAN BANKER (Apr. 5, 2018), https://www.americanbanker.com/news/wells-fargo-execs-directors-got-the-boot-will-its-auditor-be-next; Deon Roberts, *In Unusual Move, Prominent Firm Bashes Wells Fargo Auditor*, CHARLOTTE OBSERVER (last updated Apr. 4, 2018), https://www.charlotteobserver.com/news/business/banking/article207895114.html; Ronald Orol, *ISS Urges Wells Fargo Holders to Reject a Majority of Board Members*, THESTREET (Apr. 7, 2025), https://www.thestreet.com/markets/iss-urges-wells-fargo-holders-to-reject-a-majority-of-board-nominees-14078333.

[730] *See* Shirley Westcott, *Surprises from the 2018 Proxy Season*, HARVARD L. SCH. F. CORP. GOVERNANCE (June 27, 2018), https://corpgov.law.harvard.edu/2018/06/27/surprises-from-the-2018-proxy-season/.

[731] *See* Corp. Fin. Inst., *supra* note 716.

[732] *See* U.S. Sec. Exch. Comm'n, *Audit Committees and Auditor Independence*, https://www.sec.gov/info/accountants/audit042707.pdf (last visited Sept. 9, 2025); Pub. Co. Acct. Oversight Bd, *ET Section 101 Independence*, https://pcaobus.org/oversight/standards/ethics-independence-rules/details/ET101 (last visited Sept. 9, 2025).

[733] *See* Andrew Finley et al., *Employee Movements from Audit Firms to Audit Clients*, SSRN (Jan. 1, 2018), https://ssrn.com/abstract=3108778.

[734] *Id*.

[735] *See* Michael Favere-Marchesi & Craig Emby, *The Alumni Effect and Professional Skepticism: An Experimental Investigation*, 32 1 ACCT. HORIZONS 53-63 (2018), https://doi.org/10.2308/acch-51920; Ben Haimowitz, *Familiarity may breed contempt, but between CFOs and auditors it is more likely to breed coziness, study finds*, AMERICAN ACCT. ASS'N (Feb. 8, 2018), https://aaahq.org/Outreach/Newsroom/Press-Releases/2-8-18-Familiarity-may-breed-contempt.

[736] *See* Michael Favere-Marchesi & Craig Emby, *supra* note 735; Ben Haimowitz, *supra* note 735.

In examining the relationship between KPMG and its client banks, the Subcommittee observed at least ten instances during KPMG's 2022 audits of Silicon Valley Bank, Signature Bank, and First Republic Bank in which KPMG engaged with individuals at the banks who had previously worked for KPMG, and one instance where a KPMG auditor for the First Republic Bank audit had previously worked for the bank, as follows:

Silicon Valley Bank

- **Karen Hon, Chief Accounting Officer,** worked as a Senior Audit Associate at KPMG from 2003 to 2005 before joining Silicon Valley Bank in 2006 and serving as Chief Accounting Officer from 2019-2023, where she oversaw the bank's Sarbanes-Oxley compliance ("SOX") department.[737]

- **John Peters, Chief Auditor,** worked as an auditor at KPMG for more than nine years prior to working for Silicon Valley Bank, where he oversaw the bank's internal audit department.[738]

Signature Bank

- **Joseph DePaolo, Chief Executive Officer,** co-founded Signature Bank in 2001 and served as CEO until its failure in 2023.[739] He had worked at KPMG for seven years prior to 1988.[740]

- **Stephen Wyremski, Chief Financial Officer,** served as Signature Bank's CFO from 2021 until 2023.[741] He previously worked as an audit manager at KPMG for eight years, from 2004-2012, and joined Signature Bank in 2015.[742]

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[737] Press Release, Banc of Cal., *Banc of California Welcomes Karen Hon as Chief Accounting Officer* (Mar. 4, 2025), https://investors.bancofcal.com/news-releases/news-release-details/banc-california-welcomes-karen-hon-chief-accounting-officer; Karen Hon, LINKEDIN, https://www.linkedin.com/in/karen-hon (last visited Sept. 9, 2025); PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 105.

[738] *See* Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 98; Fed. Rsrv. Bank San Francisco, Report of Joint Examination: Silicon Valley Bank, 19 (2023), https://www.federalreserve.gov/supervisionreg/files/svb-2020-camels-examination-report-20210503.pdf.

[739] Interview with Joseph J. DePaolo, President & CEO, SIGNATURE BANK (Oct. 4, 2008), https://www.leadersmag.com/issues/2008.4_october/pdfs/depaolo.pdf.

[740] *Id*.

[741] *Signature Bank Announces Both Executive and Senior Management Appointments*, BUSINESSWIRE (Apr. 23, 2021), https://www.businesswire.com/news/home/20210423005123/en/Signature-Bank-Announces-Both-Executive-and-Senior-Management-Appointments.

[742] Signature Bank Executive Profile of Stephen Wyremski, WALL ST. J., https://www.wsj.com/market-data/quotes/SBNY/company-people/executive-profile/204085927 (last visited Sep 9, 2025); *Signature Bank Announces Both Executive and Senior Management Appointments*, *supra* note 741.

- **Keisha Hutchinson, Chief Risk Officer,** worked as an audit partner for KPMG and led the Signature Bank audit until March 2021, and then joined Signature Bank as Chief Risk Officer, in June 2021, remaining until 2023.[743] Hutchinson had spent approximately 19 years at KPMG from 2002 to 2021, including working as a partner from 2015 to 2021.[744]

- **Frank DeMaria, Senior Vice President & Controller,** worked for KPMG as the lead audit manager for the 2021 Signature Bank audit.[745] He had worked for KPMG for nine years from 2011 to 2021 before joining Signature Bank in October 2022 as Senior Vice President, Director of Financial Management and Analysis. He was promoted to Controller a month before the bank collapsed.[746]

- **Judith Huntington, Member, Board of Directors,** worked for 15 years at KPMG from 1986 to 2001 prior to joining Signature Bank's board of directors from 2013 through 2023.[747] She served on the Examining Committee, which had oversight over KPMG's audit of the bank.[748]

- **Michael Pappagallo, Member, Board of Directors,** worked as a senior manager in the audit group at KPMG from 1981 to 1990 prior to joining Signature Bank's board of directors in 2013 and remaining through 2023.[749] He served on the Examining Committee, which had oversight over KPMG's audit of the bank.[750]

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[743] *Signature Bank Announces Both Executive and Senior Management Appointments*, *supra* note 741.

[744] *Id*; Keisha Hutchinson, LINKEDIN, https://www.linkedin.com/in/keisha-hutchinson-cpa-7141a428/ (last visited Sept. 9, 2025).

[745] PSI Interview with Mike Keehlwetter, Audit Partner, KPMG (Jan. 9, 2024) at 50.

[746] Frank DeMaria, LINKEDIN, https://www.linkedin.com/in/frank-demaria-cpa-mba-14ab7713/ (last visited Sep 9, 2025); Executive Profile of Frank Demaria CPA, https://theorg.com/org/newtek/org-chart/frank-demaria-cpa, (last visited Sept. 9, 2025).

[747] *See The Collapse of SVB and Signature Bank: Where Were the Regulators and KPMG?*, WORKPLACE ETHICS ADVICE (Apr. 13, 2023), https://www.workplaceethicsadvice.com/2023/04/the-collapse-of-svb-and-signature-bank-where-were-the-regulators-and-kpmg-i-have-previously-blogged-about-the-collapse-of.html; *Signature Bank Names Two New Members to Board of Director*, MARKET SCREENER (Apr. 24, 2013), https://uk.marketscreener.com/quote/stock/SIGNATURE-BANK-10755/news/Signature-Bank-Names-Two-New-Members-to-Board-of-Directors-39088573/.

[748] *See The Collapse of SVB and Signature Bank: Where Were the Regulators and KPMG?*, *supra* note 747.

[749] *See Signature Bank Names Two New Members to Board of Director*, *supra* note 747; *Brixmor Enhances Management Team With Appointment of Michael Pappagallo as President & Chief Financial Officer*, PR NEWSWIRE (May 13, 2013), https://www.prnewswire.com/news-releases/brixmor-enhances-management-team-with-appointment-of-michael-pappagallo-as-president--chief-financial-officer-207166601.html.

[750] *See The Collapse of SVB and Signature Bank: Where Were the Regulators and KPMG?*, *supra* note 747.

First Republic Bank

- **Michael Roffler, Chief Executive Officer,** worked at KPMG for 17 years from 1993 to 2009, including as a partner in the firm's San Francisco office, before joining First Republic Bank as Deputy CFO in 2009.[751] He was promoted to CEO in 2022, where he remained until the bank went into receivership in 2023.[752]

- **Justin Gibson, Executive Vice President, Chief Audit Executive,** worked at KPMG as a manager for four years from 2001 to 2005. He joined First Republic Bank in 2012, and was promoted to Chief Audit Executive in 2017, where he remained until 2023.[753]

- **A Senior Audit Manager for KPMG's 2022 audit of First Republic Bank** previously worked at First Republic Bank as a Senior Analyst.[754] This individual worked at KPMG from 2011 to 2013, First Republic Bank from 2013 to 2014, and returned to KPMG in 2014.[755]

The Subcommittee was unable to conclude whether these preexisting relationships had an impact on audit quality for the 2022 audits of Silicon Valley Bank, Signature Bank, and First Republic Bank. However, the Subcommittee's review revealed at least two instances between KPMG and its clients that raised questions about the familiarity between the KPMG audit teams and senior employees at the banks.

c. Signature Bank's Chief Risk Officer Maintained a Financial Relationship with KPMG for 17 Months After Leaving the Firm and Joining the Bank

Mr. Keehlwetter told the Subcommittee that he had previously worked with Signature Bank's Chief Risk Officer, Keisha Hutchinson, in KPMG's New York office in a team of approximately 20-25 people dedicated to supervising audits of banking clients before she joined Signature Bank in 2021.[756] Ms. Hutchinson had served as the lead audit partner for the Signature Bank

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[751] *First Republic Bank Board of Directors Appoints Mike Roffler as Chief Executive Officer*, BUSINESSWIRE (Mar. 14, 2022), https://www.businesswire.com/news/home/20220314005298/en/First-Republic-Bank-Board-of-Directors-Appoints-Mike-Roffler-as-Chief-Executive-Officer; Distinguished Alumni Spotlight: Michael J. Roffler, MARQ. U. (2021), https://alumni.marquette.edu/awards/recipients/roffler.

[752] *First Republic Bank Board of Directors Appoints Mike Roffler as Chief Executive Officer*, *supra* note 751; Distinguished Alumni Spotlight: Michael J. Roffler, MARQ. U. (2021), https://alumni.marquette.edu/awards/recipients/roffler.

[753] Justin Gibson, LINKEDIN, https://www.linkedin.com/in/justinwilliamgibson (last visited Sep 9, 2025).

[754] KPMG Initial Independence Compliance Document, KPMG-FRB-PSI-WP-0000012771 (on file with the Subcommittee).

[755] *Id*.

[756] PSI Interview with Mike Keehlwetter, Audit Partner, KPMG (Jan. 9, 2024) at 82.

engagement team prior to Mr. Keehlwetter.[757] After signing KPMG's audit opinion for the bank's 2020 audit on March 1, 2021, she accepted employment with the bank as its Chief Risk Officer, effective June 1, 2021.[758] Mr. Keehlwetter told the Subcommittee he was unaware of whether Ms. Hutchinson had begun negotiating her position prior to the completion of the audit.[759] PCAOB standards require a cooling off period for an auditor who joins a former client before they may assume control over financial reporting.[760] KPMG met with Ms. Hutchinson the first Monday after the end of her cooling off period, on April 4, 2023.[761]

Mr. Keehlwetter told the Subcommittee he interacted "fairly regularly" with Ms. Hutchinson's department during the 2022 audit.[762] On November 9, 2022, KPMG drafted a memo identifying an independence breach caused by Ms. Hutchinson's financial relationship with KPMG, continuing 17 months from when she had begun her role at the bank to when the financial relationship was discovered by KPMG's independence division and ultimately remedied.[763] The independence violation arose because Ms. Hutchinson maintained an interest in KPMG's deferred compensation plan and KPMG prepared her taxes at no cost.[764] On October 25, 2022, the lead audit partner sought guidance from KPMG's independence

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757 *Id*. at 49.

758 *Signature Bank Announces Both Executive and Senior Management Appointments,* NASDAQ (Apr. 23, 2021), https://www.nasdaq.com/press-release/signature-bank-announces-both-executive-and-senior-management-appointments-2021-04-23.

759 PSI Interview with Mike Keehlwetter, Audit Partner, KPMG (Jan. 9, 2024) at 91.

760 U.S. Sec. Exch. Comm'n, Office of the Chief Accountant, Application of the Commission's Rules on Auditor Independence, at Question 11 (June 27, 2019), https://www.sec.gov/about/divisions-offices/office-chief-accountant/office-chief-accountant-application-commissions.

761 PSI Interview with Mike Keehlwetter, Audit Partner, KPMG (Jan. 9, 2024) at 91.

762 *Id*. at 85.

763 KPMG Examining Committee Notice of Independence Breach (Nov. 9, 2022), KPMG-SBNY-PSI-0000030294, at 30295 (on file with the Subcommittee); *Signature Bank Announces Both Executive and Senior Management Appointments*, BUSINESSWIRE (Apr. 23, 2021), https://www.businesswire.com/news/home/20210423005123/en/Signature-Bank-Announces-Both-Executive-and-Senior-Management-Appointments. On July 25, 2025, KPMG told the Subcommittee: "The former partner consulted with KPMG's Risk Management – Independence group at the time of her departure and, because it was determined that she would not be in an accounting or financial reporting oversight role ("FROR") at Signature, her financial relationship with the Firm was not resolved at the time. After her cooling off period ended, the former partner became a FROR, but the engagement team was unaware of her continued financial ties and there was miscommunication about the steps necessary to resolve her financial ties to KPMG." Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, Appendix A, 73 (July 25, 2025) (on file with the Subcommittee).

764 KPMG Examining Committee Notice of Independence Breach (Nov. 9, 2022), KPMG-SBNY-PSI-0000030294 at 30295 (on file with the Subcommittee).

function on the violation.[765] An employee within KPMG's independence section wrote that they had solicited input from Ms. Hutchinson in a memo assessing the violation.[766]

The memo ultimately concluded that in KPMG's "professional judgment... this violation did not compromise the engagement team's integrity, objectivity, impartiality, or professional skepticism," and attributed it to "miscommunication."[767] After KPMG identified the independence breach on October 24, 2022, Ms. Hutchinson no longer received tax preparation services from KPMG and transferred the remainder of her unfunded long-term compensation to a "rabbi trust" that would not confer preferential tax treatment.[768]

d. KPMG's Chief Operating Officer Made a Surprise Visit to a Closed Session of Silicon Valley Bank's Board of Directors As The Board Considered Accepting Bids for a New Auditor

The Subcommittee's review of KPMG's 2022 audit of Silicon Valley Bank raised questions about the pressure audit partners face to maintain client relationships in perpetuity and the ways that longstanding relationships between audit firms and their clients allow them to do so. The PCAOB requires lead audit partners to rotate to a new client every five years in an effort to bolster auditor independence.[769] Numerous other countries go a step further, requiring publicly traded companies to rotate audit firms every few years, with some jurisdictions providing for the option of maintaining a professional relationship the same firm for longer if the company accepts bids for auditors and the original firm wins through a

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[765] Email from Audit Partner, KPMG to Sr. Associate, KPMG Risk Management Div. – Independence (Oct. 24, 2022), KPMG-SBNY-PSI-0000012694 (on file with the Subcommittee).

[766] KPMG Internal Email Communications (Oct. 28, 2022), KPMG-SBNY-PSI-0000012688 (on file with the Subcommittee).

[767] KPMG Examining Committee Notice of Independence Breach (Nov. 9, 2022), KPMG-SBNY-PSI-0000030294 at 30295 (on file with the Subcommittee).

[768] *Id*.

[769] *See* SEC Qualifications of Accountants, 17 C.F.R. § 210.2-01; *6.3 Rotation of Audit Partners*, DELOITTE, https://dart.deloitte.com/USDART/home/publications/deloitte/additional-deloitte-guidance/roadmap-initial-public-offerings/chapter-6-audit-considerations/6-3-rotation-audit-partners#SL658502464-435513 (last visited Sept. 9, 2025).

competitive process.[770] There is no requirement for audit firm rotation in the United States.[771] Academics argue that audit firm rotation is a check against auditors becoming "complacent" because long-term professional relationships can cause them to "overlook differences of opinion with management on accounting and financial reporting issues… [and] compromise professional skepticism."[772] As of the beginning of 2023, Silicon Valley Bank had never employed another independent auditor and never sought bids for another firm to conduct its audit since it first engaged KPMG in 1994.[773]

On January 17, 2023, approximately one month before Silicon Valley Bank issued its financial statement with KPMG's 2022 audit opinion, the bank's board of directors met for a closed session to discuss KPMG's performance.[774] After asking KPMG to leave the virtual meeting, the board approved KPMG as the bank's auditor for 2023 while raising the prospect of accepting bids for a new auditor for the first time since KPMG first started auditing the bank in 1994.[775] The chair of the audit committee, Mary Miller, indicated she would inform the bank's CFO, Daniel Beck, about their decision.[776] Three days later, on January 20, 2023, Ms. Miller emailed Jack Pohlman, KPMG's lead audit partner for Silicon Valley Bank with Mr. Beck copied, informing KPMG of the board's decision to seek bids for the audit.[777] Ms. Miller stated that she did not want KPMG to be "caught off guard," but the board had grown concerned with "the very long tenure of KPMG – over two decades – without conducting competitive review."[778] Additionally, Ms. Miller mentioned the desire to ensure Silicon Valley Bank had

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[770] Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, 2014 O.J. (L 158) 97, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2014:158:FULL&from=EN; Ken Tysiac, *Mandatory audit firm rotation rules published in EU*, J. ACCOUNTANCY (May 28, 2014), https://www.journalofaccountancy.com/news/2014/may/201410229/; Walter Stuber & Adriana Stuber, *The Brazilian Regulator Softens The Rule Of Rotation Of Audit Firms*, MONDAQ (Nov. 18, 2011), https://www.mondaq.com/brazil/corporate-governance/154116/the-brazilian-regulator-softens-the-rule-of-rotation-of-audit-firms.

[771] *See* Steven M. Mintz, *The Case for and Against Mandatory Rotation of Audit Firms*, TXCPA (Mar. 2024), https://www.tx.cpa/resources/txcpa-magazine/march-april-2024/2024/03/06/the-case-for-and-against-mandatory-rotation-of-audit-firms.

[772] *Id*.

[773] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 87.

[774] Silicon Valley Bank, Audit Committee Meeting Minutes (Jan. 17, 2023), FRB_SVB_PSI_001541 (on file with the Subcommittee).

[775] *Id.*; Email from the Chair of Silicon Valley Bank's Audit Committee to Audit Partner, KPMG (Jan. 20, 2023), KPMG-SVB-PSI-0000064670 (on file with the Subcommittee).

[776] Silicon Valley Bank, Audit Committee Meeting Minutes (Jan. 17, 2023), FRB_SVB_PSI_001541 (on file with the Subcommittee).

[777] Email from the Chair of Silicon Valley Bank's Audit Committee to Audit Partner, KPMG (Jan. 20, 2023), KPMG-SVB-PSI-0000064670 (on file with the Subcommittee).

[778] *Id*.

audit resources appropriate to the increased level of scrutiny the Federal Reserve would be placing on the bank as it grew "into a larger and more complex bank."[779]

Within an hour, Mr. Pohlman emailed KPMG's Chief Operating Officer, Laura Newinski, saying he was "completely caught off guard."[780] Mr. Pohlman wrote to Ms. Newinski that he thought the board's move was a response to regulatory criticism from the Federal Reserve and a desire "to demonstrate strong governance and oversight."[781] Ms. Newinski, who was on a flight back from the World Economic Forum in Davos, Switzerland, responded to say the decision was "so disappointing" and that Ms. Miller "has been a hard one to understand/manage."[782] Ms. Newinski stated that she was surprised that the other audit members would go along with the plan and suggested approaching them individually.[783]

On January 24, 2023, Mr. Pohlman emailed Silicon Valley Bank's CEO, Greg Becker, for his perspective on the matter.[784] Mr. Becker responded that he personally saw "no issues" with KPMG as an auditor, but that the board of directors "just feels for proper governance this is the right thing to do."[785] Mr. Becker followed up on the same email thread two hours later suggesting KPMG could sponsor a women's cycling team he was associated with.[786]

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[779] *Id*.

[780] Email from Audit Partner, KPMG to Chief Operating Officer, KPMG (Jan. 20, 2023) KPMG-SVB-PSI-0000064669 (on file with the Subcommittee).

[781] Email from Audit Partner, KPMG to Chief Operating Officer, KPMG (Jan. 20, 2023) KPMG-SVB-PSI-0000062383 (on file with the Subcommittee).

[782] Email from Audit Partner, KPMG to Chief Operating Officer, KPMG (Jan. 20, 2023) KPMG-SVB-PSI-0000064668, 64669 (on file with the Subcommittee).

[783] *Id*.

[784] Email from Audit Partner, KPMG to Chief Executive Officer, Silicon Valley Bank (Jan. 24, 2023) KPMG-SVB-PSI-0000027844, (on file with the Subcommittee).

[785] *Id*.

[786] The women's cycling team, TIBCO-SVB, was partially named after the bank. The bank's CEO, Mr. Becker, occasionally joined the team for rides, and at times, brought venture-capital clients. Email from Chief Executive Officer, Silicon Valley Bank to Chief Operating Officer, KPMG and Audit Partner, KPMG (Jan. 25, 2023), KPMG-SVB-PSI-0000028784 (on file with the Subcommittee); *see* Ben Eisen et al., *CEO Greg Becker Was There for SVB's Quick Rise and Even Quicker Fall*, WALL ST. J. (Mar. 13, 2023), https://www.wsj.com/finance/greg-becker-was-there-for-svbs-quick-rise-and-even-quicker-fall-2ff25176.

Figure 20: January 25, 2023 Email from Silicon Valley Bank CEO to KMPG Silicon Valley Bank Lead Audit Partner Regarding Charity Associated with Silicon Valley Bank

Message

From: Greg Becker [redacted]@svb.com]
Sent: 1/25/2023 1:14:54 AM
To: Pohlman, Jack [redacted]
CC: Newinski, Laura M [redacted]
Subject: [EXTERNAL] RE: AC follow up
Attachments: EF-TIBCO-SVB.pdf

Jack and Laura,

One more thing I forgot to mention. SVB is one of the title sponsors of a women's world professionally cycling team (only 15 in the world). One of the title sponsors is dropping out next year and they need to replace them. KPMG would be a perfect fit. Here's some info on the team.

Could you help get this in front of your corporate marketing team? [redacted] would love to talk to them.

Thanks,

Greg

SVB Confidential

Source: Email from Silicon Valley Bank CEO Greg Becker to KPMG Silicon Valley Bank Lead Audit Engagement Partner Jack Pohlman (Jan. 25, 2023), KPMG-SVB-PSI-0000028784 (on file with the Subcommittee).

According to the promotional materials Mr. Becker sent to KPMG, becoming a title sponsor would cost between $3 to $4 million for a two-year commitment.[787] Later that afternoon, Ms. Newinski responded to say that KPMG "would very much like to open the door to a conversation between our two teams," and copied a KPMG marketing representative.[788] Mr. Pohlman told the Subcommittee that the bank collapsed before the conversation about sponsoring the cycling team reached a conclusion.[789]

On January 25, 2023, Mr. Pohlman emailed a senior KPMG executive to ask for help with the bank's CFO, Mr. Beck, about the board's discussion of accepting bids for a new auditor.[790] Mr. Pohlman stated he had "been having some positive interactions through text messages with [Mr. Beck] and he and I are going to meet for a drink."[791] Mr. Pohlman told his colleague that Mr. Beck wanted to either extend the timeframe before accepting bids or try to convince

787 Silicon Valley Bank, Women's Pro Cycling Promotional Materials, KPMG-SVB-PSI-0000028786 (on file with the Subcommittee).

788 Email from Chief Operating Officer, KPMG to Chief Executive Officer, Silicon Valley Bank (Feb. 22, 2023), KPMG-SVB-PSI-0000004794 (on file with the Subcommittee).

789 PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 93.

790 KPMG Internal Email Communications (Jan. 25, 2023), KPMG-SVB-PSI-0000062126 (on file with the Subcommittee).

791 *Id*.

the board of directors to "remove their RFP [request for proposal] recommendation altogether."[792] On January 27, Mr. Pohlman met with Mr. Beck at the Blackhawk Country Club in Danville, California.[793] When the Subcommittee asked what they discussed during this meeting, Mr. Pohlman responded, "we talked about the high-quality audits that we.. have performed for SVB."[794]

On February 21, 2023, Mr. Pohlman attended the first meeting of the bank's board of directors since it had discussed accepting bids for the next year's audit.[795] The meeting was virtual, with attendance limited to individuals with authorized access.[796] Mr. Pohlman told the Subcommittee that KPMG's Chief Operating Officer, Ms. Newinski, had obtained login credentials from the assistant running the meeting before it began.[797] Once the board moved to a closed executive session, Mr. Pohlman texted Ms. Newinski, who joined the call.[798]

According to Mr. Pohlman, Ms. Newinski presented to the board how KPMG could "support [the bank] through the process of effective governance in any way we can," in an apparent attempt to "show Silicon Valley Bank how important a client they were to KPMG."[799] According to Mr. Pohlman, Ms. Newinski had never joined a closed session of Silicon Valley Bank's board before.[800] After the incident, Ms. Miller wrote to Mr. Pohlman, saying: "The Audit Committee was surprised by Laura's presence in the closed session of the meeting. I'm not sure how or why that happened and would like to discuss."[801] Mr. Pohlman told KPMG that, following the executive session, Ms. Miller told him "she wished [KPMG] would have let her know that [Ms. Newinski] was attending."[802] In the days leading up to the collapse of the bank, Mr. Pohlman continued to reach out to members of the board to discuss putting the audit up for a bid, but by early March, only one board member had responded.[803]

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[792] *Id*.

[793] Documentation of Appointment: "Drinks with Dan & Jack Pohlman" on Jan. 27, 2023, 11:00 PM to Jan. 28, 2023, 1:00 AM (Jan. 27, 2023), KPMG-SVB-PSI-0000062652 (on file with the Subcommittee).

[794] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 90.

[795] *Id*. at 95.

[796] *Id*. at 92.

[797] *Id*. at 92.

[798] *Id*.

[799] *Id*. at 95.

[800] *Id*. at 96.

[801] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 92; Email from Chair of Silicon Valley Bank's Audit Committee to Audit Partner, KPMG (Feb. 22, 2023), KPMG-SVB-PSI-0000062286 (on file with the Subcommittee).

[802] PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 92.

[803] KPMG Internal Email Communications (Mar. 6, 2023), KPMG-SVB-PSI-0000028626 (on file with the Subcommittee).

On March 6, Mr. Pohlman decided to pause the outreach and take time to decide next steps.[804] Based on records reviewed by the Subcommittee, the matter was not resolved prior to the bank's failure.[805] It is unclear whether KPMG's efforts to retain Silicon Valley Bank as its client in January through March of 2023 impacted their objectivity as KPMG concurrently finished their audit of the bank and prepared a comfort letter for its fundraising. However, this episode demonstrated familiarity between KPMG's leadership and Silicon Valley Bank's CEO and CFO amidst efforts by the bank's board of directors to strengthen the bank's risk management as it received increased regulatory scrutiny.[806]

[804] *Id*.

[805] *See* KPMG Internal Email Communications (Feb. 27, 2023), KPMG-SVB-PSI-0000060354 (on file with the Subcommittee).

[806] *See* Email from the Chair of Silicon Valley Bank's Audit Committee to Audit Partner, KPMG (Jan. 20, 2023), KPMG-SVB-PSI-0000064670 (on file with the Subcommittee); Email from Audit Partner, KPMG to Chief Operating Officer, KPMG (Jan. 20, 2023) KPMG-SVB-PSI-0000062383 (on file with the Subcommittee).

CONCLUSION AND RECOMMENDATIONS

Auditors are meant to serve a vital role in America's capital markets by offering a company's stakeholders (including investors, depositors, employees, vendors, borrowers, and the local community) an objective outside opinion on the integrity of the company's financial statements.[807] All kinds of investors – from individual households to institutional pension funds – rely on these statements to make informed investment decisions.[808] One of the architects of the bipartisan Sarbanes-Oxley Act, stated: "We often think of money as the currency of a free market system, but in truth the system rises and falls on the confidence of its investors."[809] However, in recent years, the public has become increasingly skeptical of the auditing profession in the face of high profile corporate scandals that implicated auditors.[810] Indeed, noted investment manager and CEO of Berkshire Hathaway, Warren Buffett, has increasingly challenged auditors at companies he invests in, stating "I realized the only way to really get one of the super big-name auditors to behave was to have them more afraid of me than they were afraid of the management."[811] Unfortunately, most investors do not enjoy similar leverage over the companies they invest in and the current regulatory regime for auditors does not offer a comparable level of oversight for the benefit of the general public.

The Subcommittee's review demonstrates how common practices in the auditing industry can erode public trust in the financial reporting of publicly traded companies. Indeed, PSI's review of KPMG's 2022 audits of Silicon Valley Bank, Signature Bank, and First Republic Bank showed that the auditing firm was aware of risks and mismanagement that contributed to the public loss of faith in these institutions so abruptly in early 2023.[812] However, KPMG determined that the problems it discovered were not related to each bank's financial

[807] *See* Steven B. Harris, Board Member, Pub. Co. Acct. Oversight Bd., Address at the International Corporate Governance Network Annual Conference: Auditor Independence and the Role of the PCAOB in Investor Protection (June 28, 2016), https://pcaobus.org/news-events/speeches/speech-detail/auditor-independence-and-the-role-of-the-pcaob-in-investor-protection_616; Jason Fernando, *What Are Stakeholders? Definition, Types, and Examples*, INVESTOPEDIA (Aug. 14, 2025), https://www.investopedia.com/terms/s/stakeholder.asp.

[808] *See* Steven B. Harris, *supra* note 807.

[809] *Auditing the Auditors: Creating the Public Company Accounting Oversight Board*, SEC. EXCH. COMM'N HIST. SOC'Y, https://www.sechistorical.org/museum/galleries/pcaob/pcaob02_race_to_restore.php (last visited Sept. 8, 2025).

[810] Iralma Pozo, *How the Next Generation of CPAs Can Restore the Public Trust*, 92 C.P.A. J. 18 (Jan. 31, 2022).

[811] Johnny Hopkins, *Warren Buffett: How to Deal with Financial Shenanigans*, THE ACQUIRER'S MULTIPLE (Oct. 27, 2021), https://acquirersmultiple.com/2021/10/warren-buffett-how-to-deal-with-financial-shenanigans/.

[812] *See supra* Finding I(b), Finding 2(b), and Finding 3(b).

reporting.[813] Each of the lead audit partners told the Subcommittee that auditors are not obligated to opine on poor risk mismanagement and excessive financial risk, but only to make sure any such risk is reflected in the company's financial statement.[814] KPMG seemed to interpret PCAOB guidance in such a way as to absolve KPMG of responsibility for incorporating the inherent risk within a client's business into the scope of an audit, much less disclosing it.

KPMG's position was that a poorly managed, risk-prone bank can nevertheless earn an unqualified audit opinion wherein an auditor opines on the integrity of its financial reporting. This approach to the role of an auditor echoes the arguments that KPMG made in the course of its audits of Wells Fargo during the years when that bank faced scandal for generating fake accounts.[815] KPMG later publicly acknowledged that it was aware of evidence of fake accounts in the course of auditing Wells Fargo, but did not disclose that evidence in its audit opinions at the time.[816] Going back to 2005, six out of ten KPMG auditors interviewed by the Subcommittee had previously worked as a member of the audit team for Wells Fargo.[817]

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[813] *See supra* Finding I(b), Finding 2(b), and Finding 3(b); Letter from Lynne M. Doughtie, Chairman & CEO, KMPG, to Hon. Elizabeth Warren, Senator, U.S. Senate (Nov. 28, 2016), https://www.warren.senate.gov/files/documents/2016_11_28_KPMG_Response.pdf.

[814] *See, e.g.*, PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 154; PSI Interview with Lead Audit Partner 1, KPMG (Jan. 10, 2024) at 9; PSI Interview with Mike Keehlwetter, Audit Partner, KPMG (Jan. 9, 2024) at 203.

[815] *See* Letter from Lynne M. Doughtie, Chairman & CEO, KPMG, to Hon. Elizabeth Warren, Senator, U.S. Senate (Nov. 28, 2016), *supra* note 813.

[816] *See* Francine McKenna & Andrea Riquier, *Where was KPMG, Wells Fargo's auditor, while the funny business was going on?*, MARKETWATCH (Aug. 21, 2017), https://www.marketwatch.com/story/where-was-wells-fargos-auditor-kpmg-while-the-funny-business-was-going-on-2017-08-17. On July 25, 2025, KPMG told the Subcommittee: "The letter speaks for itself but leaves no doubt about one thing: the engagement teams on the Wells Fargo audits satisfied their professional obligations by performing the required audit procedures which included: [1] KPMG analyzed the potential impact on the financial statements of setting up unauthorized accounts, whether caused by an improper sales practice or otherwise.[2] KPMG concluded that the potential impact of any such errors would likely be insignificant. [3] KPMG received additional support for this conclusion when an outside consultant calculated the potential financial impact of the improper sales practices. That consultant concluded the fees associated with unauthorized accounts were less than $5 million, and that amount had accumulated over a five-year period. KPMG's audit team, however, did not limit their consideration to the numbers. [4] KPMG also looked at who was involved in the improper sales practices. None worked in financial reporting or had the ability to influence the financial reporting process." Letter from Couns. for KPMG to the Hon. Richard Blumenthal, Chairman, Permanent Subcomm. on Investigations, Appendix A, 73 (July 25, 2025) (on file with the Subcommittee).

[817] *See* PSI Interview with Lead Audit Partner 1, KPMG (Jan. 10, 2024) at 8; PSI Interview with Jack Pohlman, Audit Partner, KPMG (Feb. 15, 2024) at 4; PSI Interview with Senior Audit Manager for Silicon Valley Bank Engagement Team, (Feb. 8, 2024) at 5; PSI Interview with Senior Audit Manager for Silicon Valley Bank engagement team, KPMG (Jan. 26, 2024) at 4; PSI Interview with Senior Audit Manager for First Republic Bank engagement team, KPMG (Nov. 30, 2023) at 15; PSI Interview with Audit Manager for Silicon Valley Bank engagement team, KPMG (Apr. 5, 2024) at 14. Coincidentally, of the four KPMG auditors the Subcommittee interviewed who had not previously worked on the Wells Fargo audit, three of them had worked for the Credit

Actions by the Securities and Exchange Commission ("SEC") and the Public Company Accounting Oversight Board ("PCAOB" or the "Board") in the wake of the failures of Silicon Valley Bank, Signature Bank, and First Republic Bank suggest that KPMG's approach is not only flawed, but fails to take a sufficiently comprehensive view of the company being audited, which ultimately impacts investor protection and public confidence. Following the collapse of Silicon Valley Bank, Signature Bank, and First Republic Bank, the Chief Accountant for the SEC released a statement in August 2023 arguing that auditors should take a more comprehensive approach to risk assessment, stating that the agency was "troubled by instances in which management and auditors appear too narrowly focused on information and risks that directly impact financial reporting while disregarding broader, entity-level issues that may also impact financial reporting and internal controls."[818]

In May 2024, the PCAOB adopted new auditing standards regarding the ethical obligations and quality control requirements for auditors, addressing concerns raised by the 2023 bank

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Suisse audit team, including the lead audit partner for Signature Bank, who served as the lead audit partner for Credit Suisse from 2018-2019. PSI Interview with Lead Audit Partner 2, KPMG (Feb. 29, 2024) at 6; PSI Interview with Mike Keehlwetter, Audit Partner, KPMG (Jan. 9, 2024) at 16; PSI Interview with Audit Senior Manager for Signature Bank Engagement Team, KPMG (Jan. 11, 2024) at 6. KPMG has faced scrutiny for its role auditing Credit Suisse, with shareholders alleging in a 2023 lawsuit that the firm certified the bank's financials despite known deficiencies in internal controls and risk management over more than 15 years. *See* Credit Suisse Directors, Execs Sued Over Bank's Implosion, BLOOMBERG LAW (May 30, 2023), https://news.bloomberglaw.com/litigation/kpmg-credit-suisse-directors-execs-sued-over-banks-implosion. The shareholder lawsuit was dismissed in February 2024 for standing, with the judge determining that the shareholder's claims could only be brought by the corporation. *Credit Suisse Officials, KPMG Beat U.S. Lawsuit over Bank's Demise*, REUTERS (Feb. 15, 2024), https://www.reuters.com/legal/credit-suisse-officials-kpmg-beat-us-lawsuit-over-banks-demise-2024-02-15/.

[818] Statement, Paul Munter, Chief Accountant, U.S. Sec. Exch. Comm'n., *The Importance of a Comprehensive Risk Assessment by Auditors and Management*, (Aug. 25, 2023), https://www.sec.gov/newsroom/speeches-statements/munter-importance-risk-assessment-082523.

failures.[819] However, the effectiveness of these efforts ultimately hinge on the PCAOB's ability to enforce them in practice.[820]

KPMG's position, which embraces a narrow view of its role, may not be in line with recent statements and actions by the SEC and the PCAOB, but appears to reflect the broader auditing industry's practices. Indeed, research demonstrates that issuing adverse audit opinions has a negative economic impact for an auditor.[821] Research indicates that audit firm offices that issue critical opinions, particularly of highly visible clients, grow more slowly than other offices, whether they are the offices of other firms or offices of the same firm in other cities, that do not issue such opinions.[822] While the leadership and staff of the PCAOB has strained to direct the industry toward greater standards of investor protection, the agency is limited by the tools it has been provided. Given this historical context, critics argue that auditors act with "impunity" because the PCAOB is, by design, unable to more forcefully

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[819] One of these updates was, "AS 1000, General Responsibilities of the Auditor in Conducting an Audit," which reaffirms the auditor's core professional responsibilities, including objectivity, due care, and professional skepticism. *See* Pub. Co. Acct. Oversight Bd., *PCAOB Solidifies Foundation of Every Audit with Adoption of New Standard on General Responsibilities of the Auditor*, (May 13, 2024), https://pcaobus.org/news-events/news-releases/news-release-detail/pcaob-solidifies-foundation-of-every-audit-with-adoption-of-new-standard-on-general-responsibilities-of-the-auditor. Prior PCAOB standards related to the auditor's foundational responsibilities were scattered across several older rules and often written in indirect or outdated language. *Id.* AS 1000 consolidated that guidance into a single, modernized standard and restated auditor responsibilities more directly and explicitly. *Id.* The standard emphasizes that: "The auditor has a fundamental obligation to protect investors through the preparation and issuance of informative, accurate, and independent auditor's reports. *Id.* This responsibility transcends an auditor's relationship with management and the audit committee of the company under audit, providing the foundation for an objective and independent audit." *Id.* Moreover, the standard prescribes the auditor's objectives and defines professional qualifications, due professional care, and professional skepticism and judgment. *Id.* At the same time, the PCAOB issued a new quality control ("QC") standard, "QC 1000, A Firm's System of Quality Control," which replaced the previous quality control framework with a new, risk-based system that requires audit firms to proactively identify and respond to risks to audit quality on a continuous and firmwide basis. *See* Pub. Co. Acct. Oversight Bd., *PCAOB Adopts New Quality Control Standard with a Risk-Based Approach Designed to Drive Continuous Improvement in Audit Quality*, (May 13, 2024), https://pcaobus.org/news-events/news-releases/news-release-detail/pcaob-adopts-new-quality-control-standard-with-a-risk-based-approach-designed-to-drive-continuous-improvement-in-audit-quality. As of August 2025, the PCAOB delayed implementation of QC 1000 for auditing firms to adjust to "implementation challenges" of the new standard. Pub. Co. Acct. Oversight Bd., *PCAOB Postpones Effective Date of QC 1000 and Related Standards, Rules, and Forms* (Aug. 25, 2025), https://pcaobus.org/news-events/news-releases/news-release-detail/pcaob-postpones-effective-date-of-qc-1000-and-related-standards--rules--and-forms.

[820] *See* David Kenner, *Accounting firms accused of 'operating with impunity' as regulator flags growing number of flawed audits*, ICIJ (Aug. 1, 2023), https://www.icij.org/investigations/deforestation-inc/accounting-firms-accused-of-operating-with-impunity-as-regulator-flags-growing-number-of-flawed-audits/.

[821] Elizabeth N. Cowle & Stephen P. Rowe, *Don't Make Me Look Bad: How the Audit Market Penalizes Auditors for Doing Their Job*, Am. Acct. Ass'n, (July 2019), https://aaahq.org/portals/0/newsroom/2019/2019ann-4.16penalizingms.pdf.

[822] *Id*.

regulate the industry.[823] Over 20 years after the enactment of the Sarbanes-Oxley Act, Congress has an opportunity to strengthen enforcement over auditors and require more fulsome corporate transparency and investor protection in this critical industry.

I. Congress Should Reform How the Auditing Industry is Regulated

The Subcommittee's review found evidence that KPMG ignored or justified multiple flaws within the failed banks it audited, leading to compromised audits of Silicon Valley Bank, Signature Bank, and First Republic Bank. While significant, these three banks represent only a fraction of KPMG's clientele, which spans institutions in the United States and world-wide. KPMG's persistence in asserting to the Subcommittee that it had no obligation to acknowledge flaws outside of its audit—as it understood its duties as an auditor—demonstrates a systemic problem within the auditing profession. This is true because, as the Subcommittee's investigation suggests, auditors are functionally left to define their own responsibilities and face little, if any, consequences for not living up to the spirit of their ethical obligations. As such, the auditing industry is dangerously in need of reform.

The U.S. capital markets operate on a disclosure-based, rather than merit-based, regulatory model—a principle embedded in federal securities law since the 1930s.[824] Companies are required to disclose material risks, and investors decide which risks to accept.[825] For this model to function however, companies must provide accurate and reliable information. The Subcommittee's investigation shows that the current regulatory regime is falling short and that a reassessment of the regulatory framework for auditors is warranted. Markets rely on auditors to serve as a check on corporate reporting, yet research shows auditors are profit-driven actors who are liable to choose the private gain of continued business over the public good of reliable audits.[826] Investor protection demands oversight from regulators who possess both the technical expertise to identify misconduct in an exceedingly complicated subject matter and the enforcement authority to successfully deter powerful incumbents.

In short, Congress should ensure regulators have the necessary tools to make auditors more afraid of their regulators than their clients. Such an undertaking must anticipate the underlying incentive structure of the industry whereby auditors produce a product for the

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[823] *See* Elizabeth N. Cowle & Stephen P. Rowe, *Don't Make Me Look Bad: How the Audit Market Penalizes Auditors for Doing Their Job*, 97 ACCT. REV. 205, 205-226 (2022). https://publications.aaahq.org/accounting-review/article-abstract/97/3/205/4435/Don-t-Make-Me-Look-Bad-How-the-Audit-Market.

[824] Daniel M. Gallagher, *The Importance of the SEC Disclosure Regime*, HARVARD LAW SCHOOL FORUM ON CORPORATE GOVERNANCE (Jul. 16, 2013) https://corpgov.law.harvard.edu/2013/07/16/the-importance-of-the-sec-disclosure-regime/.

[825] *Id*.

[826] Don A. Moore et al., *Conflicts of Interest and the Case of Auditor Independence: Moral Seduction and Strategic Issue Cycling*, 31 ACADEMY OF MANAGEMENT REV., 10, 15-19 (2006).

public that is ultimately paid for by their client. The following recommendations suggest a path to alleviate the conflicts of interest created by lengthy relationships between auditors and their clients by requiring the periodic rotation of audit firms. The recommendations also provide tactical solutions to offer Congress, regulators, and the American public greater transparency and accountability through strengthened enforcement mechanisms when auditors fall short in their ethical obligations. Additionally, the recommendations provide a financial incentive for auditors to channel actionable information that regulators can use to build a case when audit firms conduct deficient audits.

The recommendations below provide opportunities to amend the existing legal and regulatory structure for the auditing industry. However, the approach used to reform the industry must be guided first and foremost by the interests of the investing public. As Congress considers how to strengthen its oversight of the auditing industry, any reform efforts must be directed solely by the principles of investor protection and corporate transparency.

II. Congress Should Require Increased Competition for Audit Firm Engagements

Sec. 10(A) of the Securities and Exchange Act of 1934 requires individual auditors designated as a lead audit partner to rotate to a new engagement every five years.[827] Other partners involved in audit engagement or equivalent roles are required to withdraw from servicing a client after seven years, but are allowed to return to the same client after a two-year cooling off period.[828] This requirement, however, does not apply to the length of the relationship between audit firms and their clients.[829] While these measures enhance auditor independence, the enduring relationship between auditors and their clients nevertheless impacts the firms that clients hire and how auditors receive information.[830] The

[827] Securities Exchange Act of 1934, 15 U.S.C. §§ 78j–1(j).

[828] *See* SEC Qualifications of Accountants, 17 C.F.R. § 210.2-01(c)(6) (2021); *6.3 Rotation of Audit Partners*, DELOITTE, https://dart.deloitte.com/USDART/home/publications/deloitte/additional-deloitte-guidance/roadmap-initial-public-offerings/chapter-6-audit-considerations/6-3-rotation-audit-partners#SL658502464-435513 (last visited Sept. 10, 2025); U.S. Sec. Exch. Comm'n, Office of the Chief Accountant, Application of the Commission's Rules on Auditor Independence (June 27, 2019), Question 11, https://www.sec.gov/about/divisions-offices/office-chief-accountant/office-chief-accountant-application-commissions.

[829] Securities Exchange Act of 1934, 15 U.S.C. §§ 78j–1(j).

[830] *See* Ben Haimowitz, *Familiarity may breed contempt, but between CFOs and auditors it is more likely to breed coziness, study finds*, AMERICAN ACCT. ASS'N (Feb. 8, 2018), https://aaahq.org/Outreach/Newsroom/Press-Releases/2-8-18-Familiarity-may-breed-contempt; Michael Favere-Marchesi & Craig Emby, *The Alumni Effect and Professional Skepticism: An Experimental Investigation*, 32 ACCT. HORIZONS 53, 53-63 (2018), https://doi.org/10.2308/acch-51920; Andrew Finley et al., *Employee Movements from Audit Firms to Audit Clients* 6-7, SSRN (Jan. 1, 2018), https://ssrn.com/abstract=3108778.

Subcommittee's review found that KPMG maintained lengthy relationships with Silicon Valley Bank, Signature Bank, and First Republic Bank and exhibited a high level of familiarity between senior auditors and bank executives.[831]

In addition to requiring partner rotation for key auditors, several other countries, including the European Union, India, and Brazil require companies to periodically accept bids for a new auditor.[832] Some experts argue that mandatory firm rotation reduces the likelihood of a conflict of interest, and promotes objective evaluation unencumbered by longstanding relationship biases.[833] Consider KPMG's response when they learned Silicon Valley Bank was considering accepting bids for the first time since KPMG had begun working for the bank nearly 30 years prior.[834] The Subcommittee's review could not determine if these efforts, which occurred simultaneously with completing the bank's 2022 audit and completing a comfort letter for an emergency fundraising, impacted the outcome of either product.[835] However, mandatory audit rotation could alleviate the pressure audit firms feel to prevent competition and retain client contracts indefinitely.

III. Congress Should Clarify that It is Entitled to Receive Inspection Information

Every year, the PCAOB selects audits at each auditing firm to review for potential deficiencies.[836] For 2022 year-end audits, a body which included the audits of Silicon Valley Bank, Signature Bank, and First Republic Bank, two-thirds (67 percent) of KPMG audits for financial clients that were reviewed by the PCAOB had "1.A deficiencies," defined by the PCAOB as deficiencies that indicate that "the firm, at the time it issued its audit report(s),

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[831] *See supra* Finding IV.

[832] Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, 2014 O.J. (L 158) 97, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2014:158:FULL&from=EN; Ken Tysiac, *Mandatory audit firm rotation rules published in EU*, J. ACCOUNTANCY (May 28, 2014), https://www.journalofaccountancy.com/news/2014/may/201410229/; Walter Stuber & Adriana Stuber, *The Brazilian Regulator Softens The Rule Of Rotation Of Audit Firms*, MONDAQ (Nov. 18, 2011).

[833] *See* Steven M. Mintz, *The Case for and Against Mandatory Rotation of Audit Firms*, TXCPA (Mar. 5, 2024), https://www.tx.cpa/resources/txcpa-magazine/march-april-2024/2024/03/06/the-case-for-and-against-mandatory-rotation-of-audit-firms; Monika Causholli et al., *Have You Kept Your Auditor Too Long?*, GATTON COLL. BUS. & ECON. (June 2015), https://gatton.uky.edu/have-you-kept-your-auditor-too-long; Mara Cameran et al., *Are There Adverse Consequences of Mandatory Auditor Rotation? Evidence from the Italian Experience*, 34 J. PRAC. & THEORY 1, 1 (2015), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2596497.

[834] *See supra* Finding IV(e).

[835] *See supra* Finding I(d).

[836] *See* PUB. CO. ACCT. OVERSIGHT BD., NO. 104-2024-109, 2023 INSPECTION REPORT OF KPMG LLP 4-6 (2024), https://assets.pcaobus.org/pcaob-dev/docs/default-source/inspections/reports/documents/104-2024-109-kpmg-llp.pdf.

had not obtained sufficient appropriate audit evidence to support its opinion."[837] PCAOB inspection reports summarize deficiencies identified in select audits, which are chosen for inclusion in the report based on risk factors such as industry developments, market capitalization changes, and prior inspection results.[838]

Section 105 of the Sarbanes-Oxley Act prohibits the PCAOB from disclosing information obtained during an inspection of auditing firms, other than to select entities, such as the SEC and the Attorney General of the United States.[839] Thus, the identity of any firms inspected by the PCAOB are kept confidential from the public.[840] Other organizations in the federal government are also blocked from receiving information from the PCAOB regarding its inspections, which the PCAOB has interpreted to include Congress.[841] Such inspection reports would provide useful information to Congress as it decides on appropriate policy relating to the auditing industry. Congress should amend the Sarbanes-Oxley Act to remove any ambiguity and clarify that the PCAOB must produce inspection information to Congress upon request.

IV. Congress Should Require Enforcement Actions in the Auditing Industry Be Made Public

The confidentiality provisions in the Sarbanes-Oxley Act impose strict limits on what the PCAOB can disclose about its oversight of audit firms, both in its inspection reports and any resulting enforcement actions.[842] The PCAOB must withhold any criticisms of a firm's

[837] *Id.* at 14. Coincidentally, in the PCAOB's 2023 report on inspections of KPMG audits, the first two companies listed as having deficiencies, Issuer A and Issuer B, were identified as being financial services companies and appear to share similarities with the Subcommittee's findings regarding Silicon Valley Bank and Signature Bank. *Id.* at 19-20. For instance, compare concerns raised by the PCAOB for "Issuer A" about its going concern analysis and investment securities in relation to the Subcommittee's findings on Silicon Valley Bank. *Id.* at 20. Compare also the issues raised for "Issuer B" by the PCAOB regarding its ACL and valuation concerns in relation to the Subcommittee's findings on Signature Bank. *Id.*

[838] *See* Pub. Co. Acct. Oversight Bd., *Spotlight: Staff Priorities for 2025 Inspections and Interactions With Audit Committees* 3-4, (Dec. 2024), https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/2025-priorities-spotlight_v3.pdf.

[839] Sarbanes-Oxley Act of 2002, Pub. L. No. 107-204 § 105 (2002) (codified at 15 U.S.C. 7215).

[840] *See* Pub. Co. Acct. Oversight Bd., No. 104-2024-109, 2023 Inspection Report of KPMG LLP (2024), https://assets.pcaobus.org/pcaob-dev/docs/default-source/inspections/reports/documents/104-2024-109-kpmg-llp.pdf.

[841] PCAOB Briefing to PSI Staff (Oct. 2, 2024). On July 29, 2025, the PCAOB told the Subcommittee: "PCAOB lacks statutory authority to disclose information protected by Section 105(b)(5)—such as details identifying particular engagements subject to ongoing PCAOB inspections—to Congress. However, this restriction does not preclude the PCAOB from sharing with Congress general, anonymized or aggregated data regarding inspection activities". Email from Director, Office of Communications and Engagement, PCAOB to Subcommittee Staff (July 29, 2025) (on file with the Subcommittee).

[842] *See* Pub. Co. Acct. Oversight Bd., *PCAOB Inspection Procedures: What Does the PCAOB Inspect and How Are Inspections Conducted?*, https://pcaobus.org/oversight/inspections/inspection-procedures (last visited Sept. 12, 2025); Pub. Co. Acct. Oversight Bd., *Enforcement*, https://pcaobus.org/oversight/enforcement (last visited Sept. 12, 2025).

deficiencies from the public if the firm addresses those deficiencies to the Board's satisfaction within 12 months.[843] If the firm remediates the issue within that timeframe, it is never made public.[844] In cases where inspection findings suggest serious misconduct, such as falsified documentation or repeated audit failures, the PCAOB may initiate further investigation.[845] However, any such investigation and disciplinary proceeding will remain confidential unless and until the Board imposes a final sanction.[846] As a result, even when inspection findings lead to enforcement actions, the public may never learn what conduct triggered an enforcement action if the matter is quietly resolved or dismissed.[847] Together, these provisions hide lingering deficiencies from inspection findings and unresolved enforcement matters from public view.[848] This deprives investors, audit committees, and corporate boards of critical information needed to evaluate auditor performance and accountability.[849] Therefore, Congress should mandate that the PCAOB must make its enforcement actions available to the public.

V. Congress Should Create an Office of the Whistleblower to Provide Actionable Information Regarding Auditors

Section 21F of the Securities Exchange Act of 1934 created an office within the SEC that pays a reward of 10-30% of monetary sanctions the agency collects to whistleblowers who provide original, actionable information that leads to a successful judgment of at least $1 million against a company.[850] As of 2024, the SEC's whistleblower program had recovered more than $6.3 billion based on actionable information from 444 whistleblowers since the program was created in 2011.[851] Like the SEC, the Commodities and Futures Trading Commission ("CFTC") has also seen great success in generating actionable information with its whistleblower program.[852] The Subcommittee's findings reveal the significant extent of

[843] *Sarbanes-Oxley Act of 2002*, 15 U.S.C. § 7214(g)(2) (Section 104(g)(2)).

[844] *Id.*

[845] *Sarbanes-Oxley Act of 2002*, 15 U.S.C. § 7214(g)(2) (Section 104(c)(3)).

[846] 15 U.S.C. § 7215(c)(3).

[847] *Sarbanes-Oxley Act of 2002*, 15 U.S.C. § 7215(b)(5)(A) (Section 105(b)(5)(A)).

[848] *Sarbanes-Oxley Act of 2002*, 15 U.S.C. § 7215(b)(5)(A) (Section 105(b)(5)(A)); 15 U.S.C. § 7215(c)(3).

[849] U.S. Gov't Accountability Off., GA0-08-163, Audits of Public Companies: Continued Concentration in Audit Market for Large Public Companies Does Not Call for Immediate Action 43 (Jan. 2008), www.gao.gov/assets/gao-08-163.pdf.

[850] 17 C.F.R. § 240.21F–5 (2011).

[851] U.S. Sec. Exch. Comm'n, *SEC Whistleblower Office Announces Results for FY 2022: Agency's Program Tops $1.3 Billion in Awards since Inception; Rapid Growth in Tips and Awards Continues* (2022), https://www.sec.gov/files/2022_ow_ar.pdf; U.S. Sec. Exch. Comm'n, Off. of the Whistleblower, *Annual Report to Congress for Fiscal Year 2024* (2024), https://www.sec.gov/files/fy24-annual-whistleblower-report.pdf.

[852] *See* U.S. Commodity Futures Trading Comm'n, *The Whistleblower Program*, https://www.whistleblower.gov/ (last visited Sept. 12, 2025); U.S. Sec. Exch. Comm'n, SEC Whistleblower Office Announces Results for FY 2022: Agency's Program Tops $1.3 Billion in Awards since Inception; Rapid Growth in Tips and Awards Continues, (2022), https://www.sec.gov/files/2022_ow_ar.pdf; U.S. Sec. Exch.

auditors' familiarity with both their clients and their client's relationship with the auditor. Congress should create an office of the whistleblower at the PCAOB to gather auditing information that pays rewards for certain actionable information. The whistleblower programs at the SEC and CFTC have been successful primarily because they generate "specific, timely and credible information" in a complex and technical field, which can be difficult to obtain otherwise.[853] Expanding whistleblower incentives to generate actionable enforcement information would provide more accountability to the auditing industry, increase corporate transparency, and provide greater investor protection.

Comm'n, Off. of the Whistleblower, Annual Report to Congress for Fiscal Year 2024 (Nov. 2024), https://www.sec.gov/files/fy24-annual-whistleblower-report.pdf.

[853] *See* U.S. Sec. Exch. Comm'n, *Whistleblower Program*, https://www.sec.gov/enforcement-litigation/whistleblower-program (last visited Sept. 12, 2025).

APPENDICES

Appendix I: Silicon Valley Bank

SVB Going Concern Workpaper

Date:	February 23, 2023
Bates:	KPMG-SVB-PSI-WP-0000006105
Footnote:	286
Page:	A-2

KPMG Going Concern Workpaper

Date:	N/A
Bates:	KPMG-SVB-PSI-WP-0000032362
Footnote:	352
Page:	A-6

Email from Senior Audit Manager, KPMG to Chief Financial Officer, Silicon Valley Bank

Date:	February 24, 2023
Bates:	KPMG-SVB-PSI-0000001858
Footnote:	406
Page:	A-11

SVB Comfort Letter

Date:	March 9, 2023
Bates:	KPMG-SVB-PSI-0000045965
Footnote:	430
Page:	A-14

Internal KPMG Emails between Jack Pohlman and Laura Newinski

Date:	March 8-9, 2023
Bates:	KPMG-SVB-PSI-0000028448
Footnote:	442
Page:	A-20

Email re: Silicon Valley Bank Profit Squeeze in Tech Downturn Attacks

Date:	February 22, 2023
Bates:	KPMG-SVB-PSI-0000062683
Footnote:	N/A
Page:	A-23

KPMG SVB Financial Group, Comfort Letter

Date:	March 9, 2023
Bates:	KPMG-SVB-PSI-WP-0000022480
Footnote:	430
Page:	A-25

KPMG Letter

Date:	March 9, 2023
Bates:	KPMG-SVB-PSI-WP-0000022509
Footnote:	N/A
Page:	A-28

Appendix II: Signature Bank

SBNY Whistleblower Memo

Date:	July 21, 2022
Bates:	KPMG-SBNY-PSI-WP-0000029635
Footnote:	489
Page:	A-33

Signature Bank Q22 Quarterly Update, FDIC

Date:	April 13, 2022
Bates:	KPMG-SBNY-PSI-WP-0000037672
Footnote:	482
Page:	A-44

SBNY Signet Workpaper

Date:	May 11, 2022
Bates:	KPMG-SBNY-PSI-WP-0000011990
Footnote:	550
Page:	A-46

Memorandum Assessing Transaction Processing Risk of Signature Bank

Date:	December 31, 2019
Bates:	KPMG-SBNY-PSI-WP-0000038128
Footnote:	551
Page:	A-49

KPMG Internal Communications

Date:	March 10, 2023
Bates:	KPMG-SBNY-PSI-00000041180
Footnote:	565
Page:	A-55

SBNY Deficiency Letter to Board of Directors

Date:	March 1, 2023
Bates:	KPMG-SBNY-PSI-WP -0000001185
Footnote:	590
Page:	A-63

Email between Signature Bank and KPMG

Date:	February 7, 2023
Bates:	KPMG-SBNY-PSI-0000023678
Footnote:	582
Page:	A-66

Communications between Signature Bank and KPMG

Date:	January 30-31, 2023
Bates:	KPMG-SBNY-PSI-0000035293
Footnote:	574
Page:	A-70

KPMG Internal Communications

Date:	February 19, 2023
Bates:	KPMG-SBNY-PSI-0000037381
Footnote:	N/A
Page:	A-77

KPMG Internal Communications

Date:	February 2, 2023
Bates:	KPMG-SBNY-PSI-0000040438
Footnote:	612
Page:	A-85

KPMG Internal Communications

Date:	March 1, 2023
Bates:	KPMG-SBNY-PSI-0000038905
Footnote:	616
Page:	A-92

Appendix III: First Republic Bank

FRB Going Concern Analysis

Date:	May 9, 2023
Bates:	KPMG-FRB-PSI-WP-0000044229
Footnote:	683
Page:	A-112

Email from Lead Audit Partner 2, KPMG to KPMG Partner re: FRB

Date:	March 17, 2023
Bates:	KPMG-FRB-PSI-0000032324
Footnote:	N/A
Page:	A-126

Email from Audit Partner, KPMG to KPMG Partner, KPMG

Date:	March 17, 2023
Bates:	KPMG-FRB-PSI-0000032303
Footnote:	673
Page:	A-129

Appendix IV: Independence

Email from Audit Partner, KPMG to Chief Operating Officer, KPMG

Date:	January 20, 2023
Bates:	KPMG-SVB-PSI-0000064668
Footnote:	691
Page:	A-132

Email from Audit Partner, KPMG to Chief Executive Officer, Silicon Valley Bank

Date:	January 24, 2023
Bates:	KPMG-SVB-PSI-0000027844
Footnote:	793
Page:	A-136

Email from Chief Executive Officer, Silicon Valley Bank to Chief Operating Officer, KPMG and Audit Partner, KPMG

Date:	January 25, 2023
Bates:	KPMG-SVB-PSI-0000028784
Footnote:	795
Page:	A-139

KPMG Internal Email Communications

Date:	January 25, 2023
Bates:	KPMG-SVB-PSI-0000062126
Footnote:	800
Page:	A-142

Email from Chief Operating Officer, KPMG to Chief Executive Officer, Silicon Valley Bank

Date:	February 23, 2023
Bates:	KPMG-SVB-PSI-0000004794
Footnote:	798
Page:	A-144

KPMG Examining Committee Notice of Independence Breach

Date:	November 9, 2022
Bates:	KPMG-SBNY-PSI-0000030294
Footnote:	772
Page:	A-147

APPENDIX I

SVB Going Concern Workpaper
KPMG-SVB-PSI-WP-0000006105

kpmg Going Concern - Identification of Events or Conditions - Required Work Paper (10/20)

Purpose

The purpose of this work paper is to evidence the work performed in determining whether there are events or conditions that may raise substantial doubt about the entity's ability to continue as a going concern. This work paper supplements the activities in KPMG Clara workflow and eAudIT relating to Going Concern.

In identifying events or conditions that may raise substantial doubt about the entity's ability to continue as a going concern, the understanding and findings we have gained from the following procedures should be considered.

General risk assessment procedures
Understand the entity and its environment - The entity's business model, objectives, strategies and related business risks; - The nature of the entity; and - How the entity reviews its financial performance, including forecasts, future cash flows, and management's budgeting processes
Understand the applicable reporting framework
Understand the entity's system of internal control
Understand the entity's risk assessment process
Understand the entity's information systems
Planning analytical procedures performed
Other procedures performed throughout the audit (if applicable)
Obtaining and reviewing reports of regulatory agencies and assessing their impact
Reading press releases, analyst/brokers reports, entity announcements or other relevant external data, if applicable
Inquiry of an entity's legal counsel about litigation, claims and assessments
Confirmations with related and third parties of the details of arrangements to provide or maintain financial support
Review of compliance with the terms of debt and loan agreements
Reading of minutes of meetings of stockholders, board of directors, and important committees of the board
Review of subsequent events
Management's going concern evaluation
Review of the going concern evaluation prepared by management

Based on our understanding and findings from performing the above procedures, indicate whether we have identified any of the following events or conditions.

Event or condition Certain questions below refer to the applicable forward looking assessment period. This refers to the forward looking period as determined by the applicable financial reporting framework and relevant auditing standard. For example, under ISAs and IFRS, the relevant period would be "at least 12 months from the date of the financial statements" and under US GAAS or PCAOB standards and FASB standards, the relevant period would generally be "one year from the date the financial statements are issued or available to be issued."	Event or condition identified?	May raise substantial doubt?	Document event or condition as added in KCw or eAudIT
Debt Does a significant portion (more than 10% of gross debt facilities available) of the entity's debt, approach maturity within the applicable forward looking assessment period?	No		
If the entity has financial covenants tied to its debt, has the entity: - breached or obtained a waiver for one or more financial covenant ratios during the last 12 months? - is the entity forecasting to breach or obtain a waiver of its financial covenants for the applicable forward looking assessment period?	No		
Has there been the inability to comply with the terms of loan agreements either: - during the last 12 months? or - in management's projections for the applicable forward looking assessment period?	No		
Is there excessive reliance on short-term borrowings to finance long-term assets?	No		

	A	B	C	D	E	F	G	H
31		Over the last 12 months: - has there been restructuring of debt? - have the entity's lenders commissioned an independent review?		No				
32		**Access to credit** Over the last 12 months, has the entity experienced: - denial of credit or had credit lines removed? - adverse changes in the credit risk ascribed to transaction counterparties? - greater restrictions on access to necessary capital and credit? - downward revisions to credit agency ratings? - the inability to obtain financing for essential new product development or other essential investments?		No				
33		Do management's projections for the applicable forward looking assessment period indicate the inability to obtain financing for essential new product development or other essential investments?		No				
34		**Key financial ratios/performance** Over the last 12 months, has the entity: - operated in a net liability or net current liability position? - had negative cash flows from operating activities? - had substantial operating losses or significant deterioration in the value of assets used to generate cash flows? - been in arrears in paying dividends or has there been or expected to be a significant (50%) reduction in dividends paid/payable? - had other adverse key financial ratios that may raise substantial doubt about the entity's ability to continue as a going concern?		No				
35		Are there negative cash flows from operating activities in management's projections for the applicable forward looking assessment period?		No				
36		Does the entity operate with very low profit margins relative to the industry in which the entity operates?		No				
37		**Other financial considerations** Over the last 12 months: - has there been greater reliance placed on non-traditional financing arrangements? - has there been a need to seek new sources or methods of financing or to dispose of substantial assets? - has the entity entered into long-term material contracts that have become uneconomical (e.g. low margin contracts, onerous long-term operational/lease contracts, out of money swaps, etc.) - has the entity been required to provide non-standard performance guarantees as part of contract bids/awards? - have credit insurers reduced or withdrawn coverage? - have there been other financial events or conditions that may raise substantial doubt about the entity's ability to continue as a going concern?		No				
38		**Suppliers/creditors** Has there been an inability to pay creditors on due dates either: - in the last 12 months? or - in management's projections for the applicable forward looking assessment period?		No				
39		Have suppliers amended or withdrawn credit terms during the last 12 months, or are now demanding cash on delivery or are payment providers delaying transfer of credit card balances?		No				
40		Are there indications of withdrawal of financial support by creditors?		No				
41		Have trade payables days outstanding ((Trade Payables / COGS) x 365) increased by more than 10 days from the prior year?		No				
42		Over the last 12 months, - have there been changes in trade terms, including availability of trade credit? - the loss of a major supplier (supplier with more than 10% of trade purchases)? - shortage of important supplies? - significant changes in availability and price of significant product inputs, such as commodities?		No				
43		**Customers/debtors** Over the last 12 months, has there been: - the loss of a major customer (customer with more than 10% of revenues)? - a significant decline in demand by existing customers (more than 20% of total revenues)? - insolvency of significant customers (customer with more than 10% of revenues)? - indications of withdrawal of financial support by debtors?		No				
44		Has there been a significant increase (for example, more than 10% compared to the prior year) in the level of bad debts?		No				

	A	B	C	D	E	F	G	H
45		**Personnel** Over the last 12 months, has there been: - an abrupt change in the senior management team of the entity (e.g. "C-suite") for unknown reasons (Chair, CEO, CFO, Controller)? - the loss of key management without replacement? - significant labor difficulties?		No				
46		**Products and markets** Over the last 12 months has there been: - loss of a major market (20% of revenue)? - significant decline in revenue of more than 20%? - withdrawal of a major product line? - loss of franchise, license, patent? - emergence of a highly successful competitor?		No				
47		Is the entity placing substantial dependence on the success of one or more particular products or projects?		No				
48		Does the entity have significant operations exposed to volatile markets?		No				
49		**Operations** Over the last 12 months have there been significant changes that the entity has needed to make in the nature of its operations?		No				
50		Does the entity have significant operations in regions that are economically unstable, such as countries with significant currency devaluation or highly inflationary economies?		No				
51		Does the entity have uneconomic long-term commitments that may have a significant adverse effect on the entity?		No				
52		**Industry factors** Over the last 12 months has there been a fundamental and significant change in the industry in which the entity operates?		No				
53		**Legal and regulatory** Over the last 12 months have there been: - changes in law or regulation or government policy that may have a significant adverse affect on the entity? - non-compliance with capital or other statutory or regulatory requirements, such as solvency or liquidity requirements for financial institutions? - regulatory inquiries or investigations into the entity's operations or financial reporting?		No				
54		Are there unstable or changing regulatory environments, including more proactive regulatory oversight, that could negatively impact the entity's ability to meet its obligations when due?		No				
55		Are there pending legal or regulatory proceedings against the entity that may, if successful, result in it having no alternative but to cease trading?		No				
56		**For listed entities** Has the entity's share price declined by more than 20% over the last 12 months? (If not a listed entity, answer No)		No				
57		**Other considerations** Over the last 12 months, have there been: - high profile insolvencies in comparable businesses? - winding up petitions listed against the entity?						
58		Is the entity uninsured or underinsured for catastrophes, such as drought, earthquake, tornado or flood, where these are relevant?						
60								
61		**Where an events or condition has been identified (Yes in column D above) and the engagement team has determined that it does not individually, or in the aggregate, raise substantial doubt (No in column E), document the rationale below that addresses each item identified.**						
62		The answer to questions in rows 57 and 58 are 'No'. These cells are locked for editing and will not allow a response to be entered.						
63								
64		No events or conditions have been identified which individually or in the aggreate raise substantial doubt about the Company's determination to utilize a going concern basis of accounting.						
65								
66		See financial analysis and other positive considerations as included within the screen at 2.4 General						
67								
68		**Where to attach in KPMG Clara workflow and eAudIT**						
69		For KPMG Clara workflow engagements, attach to 2.4.1 General activity screen in Overall response.						
70		For eAudIT engagements, attach to the 2.14.1 screen.						
71								
72								
73								
74								

KPMG Going Concern Workpaper
KPMG-SVB-PSI-WP-0000032362

1.Overall response

Design and implement the overall response

Assign significant engagement responsibilities and supervise engagement team members

Document how engagement team members have been assigned and informed of their significant engagement responsibilities and are appropriately supervised.

Assignments and informing of engagement responsibilities

Engagement team response: To supervise, monitor and instruct the engagement team members in areas where they will be assigned and informed of their work responsibilities, we performed the following:

- Hosted leading practice consideration sessions with entire team on a variety of topics including MRCs, RDEs, IBA, information used in the audit, relevance and reliability, population testing, C&A of populations, IT benchmarking, precision, sample of one documentation, scoping discussions around key controls, firm PPLs, required workpapers, KCW tutorials, etc.
- Posted assignment allocation summaries to the internal shared drive to allow individuals to accurately plan and schedule working timing, walkthrough, interim testing and completion work.
- Hosted weekly team calls to huddle on relevant topics, updated firm and regulatory standards and to allow ample time for questions/live file walkthroughs.
- Actively updated and monitored the scope of work via a scoping tracker listing for all in-scope controls and significant accounts which included dates of planned testing, periods covered, sample sizes required, etc.
- Participated in planning meetings discussing documentation levels.
- Attended walkthroughs and follow up meetings alongside all levels of KPMG engagement team members (partners through associates).
- Reviewed audit work prepared by hosting live meetings (teams) with engagement team members to step through the planned procedures, response required and ultimately the conclusions reached.
- Held periodic and recurring calls with newly joined team members to coach them on various topics, including overall firm and regulatory guidance, navigating through KCw, documentation best practices, speak-up culture, and other topics.

Incorporate elements of unpredictability

Response	How we incorporated an element of unpredictability
Collectively Evaluated - Qualitative	Refer to the Collectively Evaluated - Quantitative estimates workpaper attached at 3.J.EST.ACL Estimate 1 series for details of our special audit consideration for the significant risk. **Note:** As an incremental / additional procedure to respond to the risks of fraud, as part of our testing of the design, implementation, and operating effectiveness of the CECL Committee review, challenge, and approval MRC controls (J25 and J26), the audit team will attend the Q4 CECL Committee meetings to corroborate the sufficiency of the nature and extent of management's review and challenges. Additionally, the engagement team engaged RAS - Methodology to to assist in our testing of management's qualitative factor framework. Additionally, the engagement team performed the following incremental substantive procedures that are specifically responsive to the assessed fraud risks associated with the valuation assertion of the specific elements of the ALL Qualitative and AULC Qualitative accounts (and are also responsive to the assessed significant risks of error associated the valuation assertion of the Collectively Evaluated ALL - Quantitative, Collectively Evaluated ALL - Qualitative, Collectively Evaluated AULC - Quantitative, and Collectively Evaluated AULC - Qualitative accounts): a. Obtain the Company's ALL Policy and involve RAS - Methodology Review to review the client's ALL and AULC methodology, including specific consideration of the Company's compliance with SAB 119 and challenge of the design of the corresponding qualitative reserves. b. Overall challenge and evaluation of the design of management's ALL and AULC methodology c. Independently inspect the results of management's qualitative factor application in order to assess whether the adjustments determined by the company appear appropriate. d. Challenge the design of management's qualitative allocation by performing sensitivity analyses over each qualitative components (Non-Homogeneity) to assess the impact of different assumptions or scenarios used in developing the estimate. e. Attend the Q4 CECL Committee meetings to obtain corroborative information with respect to management's judgments and determinations as it relates to the qualitative components of the ALL and AULC reserves. General fraud procedures 1. Perform fraud inquiries with management, including the Audit Committee Chair, CFO, CAO, Chief Credit Officer and other Credit personnel, among others, during each quarterly review and at year-end. (2.1.4 series) 2. Obtain and inspect a population of all journal entries, inclusive of entries related to the ALL and AULC, and test significant, high-risk post-close journal entries. (2.3 series and 3.1 series) 3. Obtain and review reports regarding fraud, illegal acts, or whistleblower matters (if any) obtained from HR, Legal, or compliance departments. (2.3 series and 4.Consultation series)
	The engagement team modified the nature, timing and/or extent of our audit procedures, in combination with other substantive procedures, to incorporate unpredictability by: • Incorporated elements of unpredictability by performing a variety of control procedures, including inspection, observation, and re-performance (nature and unpredictability), at various points throughout the year, including at period end (timing and unpredictability). Please refer to the 3.J.CA series.

	our audit response (extent and nature, and unpredictability). • We performed a retrospective analysis to assess management's estimate, and whether the changes during the period are appropriate given the current facts and circumstances. • We inspected third-party, independent evidence (including analyst reports, public company information, industry & economic data). (nature and extent, and unpredictability) No items of consequence that would cause us to revise our risk assessment or audit approach were identified. • We have obtained evidence from outside of management and accounting personnel. (nature and unpredictability) No items of consequence that would cause us to revise our risk assessment or audit approach were identified, and the evidence obtained from outside of management and accounting personnel was deemed to be materially consistent with the information provided or conclusions reached by management.
Credit File Review	KPMG modified the nature, timing, and/or extent of our audit procedures to incorporate unpredictability as follows: The engagement team selected samples throughout the year (6/30 and 9/30) and as of year-end (12/31) (timing) Our sample selection for each lending unit (or portfolio) is commensurate with the level of risk assessed and also in line with the composition of the samples selected and reviewed by Internal Loan Review department (extent) We perform inquiries of the individuals within the Credit File Review department, observe the Audit Committee/Credit Committee meetings where the LGRA and quarterly risk assessment and review results are discussed (extent) We review all the regulatory reports and internal audit reports to indentify and evaluate any issues related to credit file review (extent) Please refer to w/p 3.J.CA.J30.2.J-801 for additional details.
Independent review of loan files by the Credit File Review group (CE-23)	The engagement team modified the nature, timing and/or extent of our audit procedures to incorporate unpredictability in response to the elevated risk of error on the CRR element RMM. Specifically, the engagement team started reviewing the samples during interim as compared to at period-end from prior year (timing) and determine our current year sample mix based on the facts and circumstances impacting the credit quality of the various segments in FY'22 or expected to impact credit quality over the life of the loans, such as the impact of macroeconomic forecasts (extent).
MRM independent validation of the CECL Model	The engagement team modified the nature, timing, and/or extent of our audit procedures to incorporate unpredictability as follows: - Engaged KPMG RAS Modelling & Valuation (i.e. CECL methodology) specialists to assist in the preparation and/or review of the audit team's tests of design and implementation and tests of operating effectiveness. (nature) - Observed and inspected the end-to-end replication, including live observation of the execution of the end-to-end replication code and comparison of the results to those included in the MV report. (nature) - Re-performed certain aspects of the control activity by developing an independent assessment using the control operators' metrics, thresholds, or criteria to identify outliers or exceptions, evaluating the control operator's follow-up on these items, and overall conclusion. Given the judgment in the control activities, we obtained sufficient documentation showing that the control was in fact performed (including evidence that the control operator identified and resolved outliers, as applicable). This evidence was obtained via our inquiry, inspection, and observation procedures performed. (unpredictability, extent)
Review of CECL ACL Methodology	The engagement team modified the nature, timing and/or extent of our audit procedures, in combination with other substantive procedures, to incorporate unpredictability by: Performing a variety of substantive procedures, including inquiry, inspection, observation, and re-performance at various points throughout the year, including at period end. The engagement team performed challenge procedures throughout the audit in evaluating the design of management's ACL methodology and considered the results of these procedures in our audit response. We remained cognizant of and performed a reasonable search for contradictory evidence throughout the audit. Contradictory evidence identified, if any, was documented along with our challenge procedures and considered in our audit response. We performed a retrospective analysis to assess management's estimate, and whether the changes during the period are appropriate given the current facts and circumstances. We inspected third-party, independent evidence (including analyst reports, public company information, industry & economic data). We obtained evidence from outside of management and accounting personnel.

Review and approval of manual BTE journal entries in Fiserv/FTM

We increased the sample size beyound the required minimum as we used the work of SOX for this control.

Evaluate significant accounting principles and policies

We evaluate significant accounting principles and policies in:

3.1.5 Evaluate FS.

We evaluate management bias in significant accounting policies in aggregate in:

4.1.3 Management bias.

Determine whether pervasive changes to audit procedures are necessary

Determine if pervasive changes to the nature, timing, and extent of our audit strategy are necessary, and if so, document them.

No pervasive changes to the nature, timing, and extent of our audit strategy were considered necessary in 2022.

All scoping related changes are documented at the 2.1.5 Series, however these changes were not considered pervasive. Newly identified RMMs or changes to CAR were not considered pervasive and if applicable are documented within the 3 Business Process series. Changes to nature, extent, and timing of audit procedures in response to identified control deficiencies are documented with in each deficiency card at 2.2.DEF but, again, these are not considered pervasive.

Financial statement level risks

FSLR ID	Description	Inherent risk		Manager	Partner
FSLR 1	Management override of controls	RMM			

Evaluate whether there is substantial doubt about the entity's ability to continue as a going concern

Have the financial statements been prepared assuming the entity will continue as a going concern?

● Yes No Not selected

RM Library

ID	Description	CAR

Control(s) identified for the above RM(s) will appear in 3.1 Financial reporting.

Consider whether our procedures identify events or conditions that may raise substantial doubt

Is the 'Going Concern-Identification of Events or Conditions-Required Work Paper' required?

Yes ● No Not selected

Have we identified events or conditions that may raise substantial doubt about the entity's ability to continue as a going concern?

Yes ● No Not selected

Determine whether management has performed a going concern evaluation and perform certain procedures

Has management performed a going concern evaluation?

● Yes No Not selected

Attach management's evaluation.

Attachment
2.4.1.20 Going Concern Checklist - CAO.pdf

Does the applicable financial reporting framework require management's evaluation to cover a specific time period?

● Yes No Not selected

Obtain, review, and discuss the evaluation with management.

Evaluate management's evaluation, covering the same time period as required by the applicable financial reporting framework. Consider whether management's evaluation includes all relevant information of which we are aware as a result of the audit.

KPMG performed inquiries with the individuals within the Entity who are responsible for financial and accounting matters to understand whether management considers there were changes in its going concern assessment, including understanding and evaluation of the factors, events or conditions that may raise substantial doubt about an entity's ability to continue as a going concern.

Management performed the required going concern assessment and concluded that there were no changes based on the consideration of the following factors:

Type of factor	Factors	Management assessment
	•Earnings/ loss history •Access to financing •Ability to raise equity •Complexity of operations •Whether there were known events or	SVBFG has a strong capital position with Common Equity Tier 1 capital, Tier 1 capital, Total capital and Tier 1 leverage at 12.05%, 15.40%, 16.18%, and 8.11% as of 12/31/2022 which is comfortably above the regulatory required minimum levels of 7%, 8.5%, 10.5% and 4%, respectively. SVBFG have certain facilities in place to enable the Company access short- and long-term borrowings on a secured and unsecured-basis. SVBFG's secured facilities include collateral pledged to the FHLB of San Francisco and the discount window at the FRB (using both fixed income securities and loans as collateral). In contrast, SVBFG's unsecured facility consists of uncommitted federal funds lines. As of December 31, 2022, the Company had short-term FHLB advances totaling $13.0 billion and long-term FHLB advances of $2.0 billion, which consists of two $1 billion borrowings with maturities on November 1 and 2, 2023. Collateral pledged to the FHLB of San Francisco

	•recurring operating losses •net liability or net current liability position (e.g., working capital deficiency) •negative cash flows from operating activities •substantial operating losses •other adverse key financial ratios	The Company had net income of $1.5B in 2022, which allowed Company to maintain its solid capital ratios and continued to support the Company's well capitalized position. The Company also had $1.3B in available cash which can be sent downstream to SVB Private Bank, if required for its balance sheet growth or other operational needs. Note also that throughout FY22, the Company raised several senior notes via offering events which further supports management's ability to access capital easily, if needed. All the above factors together with the Bank's ongoing high profitability levels despite the current economic conditions indicate that none of the factors exist that could be indicative of substantial doubt over the going concern.
Internal matters	•work stoppages or other labor difficulties •substantial dependence on the success of a particular project •uneconomic long-term commitments •a need to significantly revise operations •loss of key management without replacement •management intentions to liquidate the entity or cease operations	None of these factors are applicable to the Entity
Factors specific to the entity's environment	•Economic environment •Regulatory environment •Disruptors in the entity's industry •legal proceedings, legislation, or similar matters that might jeopardize the entity's ability to operate •changes in law or regulation or government policy expected to adversely affect the entity •unstable or changing regulatory environments, including more proactive regulatory oversight •loss of a key franchise, license, or patent •loss of a principal customer or supplier •significant decline in demand by existing customers •technical obsolescence of products •shortages of important supplies •emergence of a highly successful competitor •an uninsured or underinsured catastrophe such as a hurricane, tornado, earthquake, or flood •fundamental and significant changes in the industry in which the entity operates •significant operations in regions that are economically unstable, such as countries with significant currency devaluation or highly inflationary economies •significant operations exposed to volatile markets	The Company's clients are concentrated in niche industries such as technology, life science, venture capital/private equity, premium wine, etc. Despite the worsening macroeconomic conditions (i.e. continuing conflict in Ukraine-Russia, significant rise in inflation rate followed by aggressive rate hike by the Federal Reserve, etc.) and nature of Company's client demographic particularly being vulnerable to these conditions, overall, balance sheet (i.e. total asset) grew from $211.3B to $211.8B as of December 31, 2021, and December 31, 2022, respectively. Specifically, the growth in total asset could be primarily attributed to the growth in overall loan population from $65.9B to $73.6B as of December 31, 2021 and December 31, 2022, respectively. Considering all of the aforementioned factors, the Company's ongoing overall balance sheet growth and loan population growth despite the current economic conditions indicate that none of the factors exist that could be indicative of substantial doubt over the going concern.
Other factors	•Factors considered in management evaluation of the going concern assessment	N/A

Has management identified events or conditions that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time?

Yes ● No Not selected

Inquire with management regarding events or conditions beyond the period of the going concern evaluation.

See discussion in the box above. Note further that the Company's growth track has accelerated. Upon review of the Company's 12/31/22 budget deck, continued growth past one year is anticipated and is expected to be commensurate with operational state.

Based on consideration of the results of our procedures over management's evaluation and inquiry of management, have we identified events or conditions that, individually or collectively, may cast substantial doubt for a reasonable period of time on the entity's ability to continue as a going concern?

Yes ● No Not selected

Substantial doubt existing at the date of the prior period financial statements

Did substantial doubt about the entity's ability to continue as a going concern exist at the date of the prior period financial statements?

Yes ● No Not selected

Email from Senior Audit Manager, KPMG to Chief Financial Officer, Silicon Valley Bank

KPMG-SVB-PSI-0000001858

Message

From: KPMG [redacted]
Sent: 2/24/2023 10:25:34 PM
To: Dan Beck [[redacted]@svb.com]; KPMG [redacted]; SVB [redacted]@svb.com]; SVB [redacted] [[redacted]@svb.com]
CC: Pohlman, Jack [redacted]
Subject: RE: 2022 Audit Reports

Haha – sure thing!

I loved every minute with you.

KPMG [redacted]

From: Dan Beck <[redacted]@svb.com>
Sent: Friday, February 24, 2023 1:59 PM
To: KPMG [redacted] <[redacted]@KPMG.com>; SVB [redacted] <[redacted]@svb.com>; SVB [redacted] <[redacted]@svb.com>
Cc: Pohlman, Jack <[redacted]@KPMG.com>; KPMG [redacted] <[redacted]@kpmg.com>
Subject: [EXTERNAL] RE: 2022 Audit Reports

Great news and thanks for the amazing year! Thanks to you and all of your teams!

KPMG [redacted] – Can you I get an autographed copy from you, considering this is your last opinion? We will miss you!

Best

Dan

SVB Confidential

From: KPMG [redacted] <[redacted]@KPMG.com>
Sent: Friday, February 24, 2023 1:31 PM
To: Dan Beck <[redacted]@svb.com>; [redacted]>; SVB [redacted] <[redacted]@svb.com>
Cc: Pohlman, Jack <[redacted]@kpmg.com>; KPMG [redacted] <[redacted]@kpmg.com>
Subject: 2022 Audit Reports

External Sender: This email originated from outside of the organization.

Good Day Dan, SVB [redacted] – we are pleased to advise that we have completed our integrated audit of SVB Financial Group for 2022. Please find attached for your reference copies of the Combined Integrated Audit Report, the Consent Letter, and the Combined Integrated FDICIA Opinion. Please let me know if you have any questions. Thank you again so much for your partnership in another successful year's audit. Have a great rest of your day.

Best regards,

KPMG [redacted] | Senior Manager, Audit
[redacted]
mobile: [redacted] | [redacted]

SVB Comfort Letter
KPMG-SVB-PSI-WP-000045965

KPMG LLP
Suite 1400
55 Second Street
San Francisco, CA 94105

March 9, 2023

SVB Financial Group
Board of Directors
3003 Tasman Drive
Santa Clara, California 95054

Goldman Sachs &Co. LLC
200 West Street
New York, New York, 10282

(as representative of the several underwriters)

Ladies and Gentlemen:

We have audited the consolidated balance sheets of SVB Financial Group and subsidiaries (collectively, the "Company") as of December 31, 2022 and 2021 and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively- the "consolidated financial statements"), and the effectiveness of internal control over financial reporting as of December 31, 2022. The consolidated financial statements and management's assessment of the effectiveness of internal control over financial reporting are all included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 and incorporated by reference in the registration statement (No. 333-270229) on Form S-3 filed by the Company under the U.S. Securities Act of 1933, as amended (the "Act"); our report with respect thereto is also incorporated by reference in that registration statement. The registration statement on Form S-3, including the prospectus, dated March 2, 2023, as supplemented by the preliminary prospectus supplement, dated March 9, 2023, relating to the offering of the Company's shares of common stock are herein referred to as the "Registration Statement".

In connection with the Registration Statement:

1. We are an independent registered public accounting firm with respect to the Company within the meaning of the Act and the applicable rules and regulations thereunder adopted by the Securities and Exchange Commission ("SEC") and the Public Company Accounting Oversight Board (United States) ("PCAOB").

2. In our opinion, the consolidated financial statements audited by us and incorporated by reference in the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Act, the Securities Exchange Act of 1934 and the related rules and regulations adopted by the SEC.

3. We have not audited any financial statements of the Company or the effectiveness of internal control over financial reporting as of any date or for any period subsequent to December 31, 2022; although we have conducted an audit for the year ended December 31, 2022 as described in the introductory paragraph to this letter, the purpose (and therefore the scope) of the audit was to enable us to express our opinion on the consolidated financial statements as of December 31, 2022, and for the year then ended, and the effectiveness of internal control over financial reporting as of December 31, 2022, but not on the consolidated financial information or the internal control over financial reporting for any interim period within that year. Therefore, we are unable to and do not express any opinion on the financial position, results of operations, or cash flows or the effectiveness of internal control over financial reporting as of any date or for any period subsequent to December 31, 2022.

4. For purposes of this letter, we have read the 2023 minutes of meetings of the stockholders, the Board of Directors, the Audit Committee, the Credit Committee, the Compensation and Human Capital Committee, the Finance Committee, the Risk Committee and the Governance and Corporate Responsibility Committee of the Company as set forth in the minute books at March 7, 2023, officials of the Company having advised us that the minutes of all such meetings through that date were set forth therein and having discussed with us the unapproved minutes of the meeting of the Finance Committee held on January 18, 2023, the Technology Committee held on January 17, 2023, the Compensation and Human Capital Committee held on February 13, 2023, the Governance and Corporate Responsibility Committee held on February 14, 2023, the Risk and the Audit Committees held on February 21, 2023, the meetings of the Board of Directors held on February 22, 2023, March 3, 2023 and March 7, 2023, the meeting of the Risk Committee held on March 7, as well as the meetings of the Special Committee of the Board held on March 4, 2023, March 5, 2023, March 6, 2023 and March 7, 2023; we have carried out other procedures to March 7, 2023, as follows (our work did not extend to the period from March 8, 2023 to March 9, 2023, inclusive):

   a. With respect to the period from January 1, 2023 to February 28, 2023, we have:

      (i) Read the unaudited consolidated financial information of the Company for the period ending February 28 of both 2023 and 2022 furnished to us by the Company, officials of the Company having advised us that no such financial information as of any date or for any period subsequent to February 28, 2023 was available. The consolidated financial information for February of both 2023 and 2022 are incomplete in that they omit the statement of cash flows and other disclosures.

      (ii) Inquired of certain officials of the Company who have responsibility for financial and accounting matters whether the unaudited consolidated financial information referred to in paragraph 4a(i) are stated on a basis substantially consistent with that of the audited consolidated financial statements incorporated by reference in the Registration Statement. Those officials stated that the unaudited consolidated financial information referred to in paragraph 4a(i) are stated on a basis substantially consistent with that of the audited consolidated financial statements incorporated by reference in the Registration Statement.

The foregoing procedures do not constitute an audit conducted in accordance with the standards of the PCAOB. Also, they would not necessarily reveal matters of significance with respect to the comments in the following paragraph. Accordingly, we make no representations regarding the sufficiency of the foregoing procedures for your purposes.

5. Nothing came to our attention as a result of the foregoing procedures, however, that caused us to believe that:

   a. (i) At February 28, 2023, there was any change in the capital stock, increase in long-term debt, or decrease in total assets or stockholders' equity of the Company as compared with amounts shown in the December 31, 2022 consolidated balance sheet incorporated by reference in the Registration Statement, except in all instances for changes, increases, or decreases that the Registration Statement discloses have occurred or may occur and except for:

      1) a decrease in total assets to $208.4 billion as of February 28, 2023 compared to $211.8 billion as of December 31, 2022, and

      2) an increase in long term- term debt to $10.4 billion as of February 28, 2023 compared to $5.4 billion as of December 31, 2022, and

3) an increase in the capital stock to $59.3 thousand as of February 28, 2023 compared to $59.2 thousand as of December 31, 2022.

b. For the period from January 1, 2023 to February 28, 2023, there were any decreases, as compared with the corresponding period in the preceding year, in consolidated net interest income or in the total or per-share amounts of net income available to common stockholders of the Company, except in all instances for changes, increases, or decreases that the Registration Statement discloses have occurred or may occur and except for:

1) a decrease in consolidated net interest income to $621 million for the two months ended February 28, 2023, compared to $649 million for the two months ended February 28, 2022, and

2) a decrease in net income available to common stockholders to $186 million for the two months ended February 28, 2023, compared to $213 million for the two months ended February 28, 2022, and

3) a decrease in basic earnings per common share to $3.15 for the two months ended February 28, 2023, compared to $3.61 for the two months ended February 28, 2022.

6. As mentioned in paragraph 4a(i), Company officials have advised us that no consolidated financial information as of any date or for any period subsequent to February 28, 2023 is available; accordingly, the procedures carried out by us with respect to changes in financial information items after February 28, 2023 have, of necessity, been even more limited than those with respect to the periods referred to in paragraph 4a. We have inquired of certain officials of the Company who have responsibility for financial and accounting matters whether:

a. At March 7, 2023, there was any change in capital stock, increase in long-term debt, or any decreases in total assets or stockholders' equity of the Company as compared with amounts shown in the December 31, 2022 audited consolidated balance sheet incorporated by reference in the Registration Statement, except in all instances for changes, increases, or decreases that the Registration Statement discloses have occurred or may occur and except for:

1) an increase in long term- term debt to $15.4 billion as of March 7, 2023 compared to $5.4 billion as of December 31, 2022, and

2) an increase in the capital stock to $59.3 thousand as of March 7, 2023 compared to $59.2 thousand as of December 31, 2022.

b. For the period from January 1, 2023 to March 7, 2023, there were any decreases, as compared with the corresponding period in the preceding year, in consolidated net interest income or in the total or per-share amounts of net income available to common stockholders of the Company.

On the basis of these inquiries and our reading of the minutes as described in paragraph 4, nothing came to our attention that caused us to believe that there was any such change, increase, or decrease except in all instances for changes, increases, or decreases that the Registration Statement discloses have occurred or may occur and except for:

1) a decrease in consolidated net interest income to $806 million for the period ended March 7, 2023, compared to $1.1 billion for the period ended March 7, 2022.

7. For purposes of this letter, we have also read the items identified by you on the attached copy of selected pages included or incorporated by reference in the Registration Statement, and have performed the following procedures, which were applied as indicated with respect to the letters explained below. With respect to the disclosure by the Company of any non-GAAP financial measures as defined in Regulation G, we make no comment as to the Company's determination of whether such measures or the resulting disclosures comply with the requirements of Regulation G or Item 10(e) of Regulation S-K. With respect to these items, we make no comment as to the Company's determination of what constitutes the appropriate presentations, disclosures, explanations, or causal relationships of such items.

   A Compared the amount or percentage to or recalculated the amount or percentage from the corresponding amount or percentage appearing in the audited consolidated financial statements of the Company incorporated by reference in the Registration Statement and found it to be in agreement.

   B Compared the amount or percentage to or recalculated the amount or percentage from the corresponding amount or percentage appearing in the unaudited consolidated interim financial information of the Company incorporated by reference in the Registration Statement and found it to be in agreement.

   C Compared the amount or percentage to or recalculated the amount or percentage from the corresponding amount or percentage appearing on a schedule or report prepared by the Company and found it to be in agreement. We traced the amount (or the amounts from which the percentage was calculated) shown on the schedule or report prepared by the Company to the accounting records and found it to be in agreement. Management of the Company has represented to us that the information in the schedule or report was derived from the regularly maintained accounting records of the Company and subject to the Company's internal control over financial reporting. However, we make no comment as to the appropriateness or completeness of the Company's determination of the Regulation S-K requirements regarding executive compensation disclosures.

   D Compared the amount in the "Capitalization" section of the Registration Statement to the corresponding amount appearing in the Company prepared schedules and found it to be in agreement. However, we make no comment and provide no assurance as to the amounts raised in the offering and the subsequent use of proceeds or as to the reasonableness of the assumptions relating to any future events.

   For purposes of reporting our findings, in those instances in which one or more of the compared amounts or percentages stated were rounded to some degree and the amounts or percentages were in agreement, except that they were not rounded to the same degree, we have nevertheless stated that we found the compared amounts or percentages to be in agreement.

   It should be understood that our procedures with respect to the information contained in Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) incorporated by reference in the Registration Statement, were limited to applying the procedures stated above and therefore we make no representations regarding the accuracy of the discussion contained therein, whether any facts have been omitted, or regarding the adequacy of the disclosures in MD&A, other than with respect to the results of the procedures performed as described above.

8. Our audits of the consolidated financial statements for the periods referred to in the introductory paragraph of this letter comprised audit tests and procedures deemed necessary for the purpose of expressing an opinion on such financial statements taken as a whole. For none of the periods referred to therein, or any other period, did we perform audit tests for the purpose of expressing an opinion on individual balances of accounts or summaries of selected transactions such as those enumerated above, and, accordingly, we express no opinion thereon.

9. It should be understood that we make no representations regarding questions of legal interpretation or regarding the sufficiency for your purposes of the procedures enumerated in the preceding paragraphs; also, such procedures would not necessarily reveal any material misstatement of the amounts or percentages listed above. Further, we have addressed ourselves solely to the foregoing data as set forth or incorporated by reference in the Registration Statement and make no representations regarding the adequacy of disclosure or regarding whether any material facts have been omitted.

10. This letter is solely for the information of the addressees and to assist the underwriters in conducting and documenting their investigation of the affairs of the Company in connection with the offering of the securities covered by the Registration Statement, and it is not to be used, circulated, quoted, or otherwise referred to within or without the underwriting group for any other purpose, including but not limited to the registration, purchase, or sale of securities, nor is it to be filed with or referred to in whole or in part in the Registration Statement or any other document, except that reference may be made to it in the underwriting agreement or in any list of closing documents pertaining to the offering of the securities covered by the Registration Statement. This letter is intended to be used by the underwriters solely in their capacity as underwriters. This letter does not provide any additional assurance or relief to the underwriters to the extent they are an ultimate purchaser of shares.

Very truly yours,

KPMG LLP

Internal KPMG Emails Between Jack Pohlman and Laura Newinski

KPMG-SVB-PSI-0000028448

Message

From: Pohlman, Jack [redacted]
Sent: 3/9/2023 3:06:29 AM
To: Newinski, Laura M[redacted]; KPMG [redacted]
[redacted]
Subject: RE: Silicon Valley Bank launches $2.25bn share sale to shore up capital base

Thanks KPMG for sharing that article.

Also, Moody's just came out with a one notch credit rating downgrade. While this isn't "good" news, I think they could have been contemplating a more severe downgrade had SVB's actions not been taken.

(https://www.moodys.com/research/Moodys-downgrades-SVB-Financial-senior-unsecured-to-Baa1-from-A3--PR_474590).

Looks like the share price is down ~31% in after hours trading.

I will keep you posted if I hear much more.

Thanks,

Jack Pohlman
Partner
KPMG
[redacted]
office: [redacted]
mobile: [redacted]
[redacted]

From: Newinski, Laura M <[redacted]@kpmg.com>
Sent: Wednesday, March 08, 2023 6:54 PM
To: KPMG <[redacted]@KPMG.com>
Cc: Pohlman, Jack <[redacted]@KPMG.com>
Subject: Re: Silicon Valley Bank launches $2.25bn share sale to shore up capital base

Thx. Seems like decent coverage so far. "Shoring up capital" and "Long time client General Atlantic who regularly invests in banks" are helpful descriptors for the FT to use.

Thx, Laura

Laura Newinski
[redacted]

On Mar 8, 2023, at 8:44 PM, KPMG <[redacted]@kpmg.com> wrote:

SVB Letter to Stakeholders, 3.8.2023:
Q1 23 Mid-Quarter Update, 3.8.2023:
Article in the Financial Times, 3.8.2023:

Reported by: Joshua Franklin and Antoine Gara

Silicon Valley Bank has launched a $2.25bn share sale after suffering a large loss on its portfolio of US Treasuries and mortgage-backed securities, as the technology-focused lender grapples with rising interest rates and a cash crunch at many of the US start-ups it helped finance.

California-based SVB said on Wednesday that it planned to offer $1.25bn of its common stock to investors and a further $500mn of mandatory convertible preferred shares, which are slightly less dilutive to existing shareholders. Private equity firm General Atlantic has also agreed to buy $500mn of the bank's common stock in a separate private transaction.

The share sales would help shore up the bank's capital base after losing roughly $1.8bn on the sale of around $21bn of its securities that were classified as being available for sale, according to its statement on Wednesday.

As of the end of 2022, the bank had $26.1bn in available-for-sale securities. The bulk of that was in US Treasuries but it also included foreign government debt and mortgage-backed securities. It additionally holds around $91bn of securities in a held-to-maturity portfolio.

SVB shares were down around 15 per cent in after-hours trading in New York.

The bank's niche of serving venture capital-backed US tech and life sciences companies has helped it enjoy massive growth in recent years as money poured into Silicon Valley start-ups in an era of low interest rates.

SVB's share price had more than doubled from 2018 to the end of 2021, and its market capitalisation hit a peak of more than $44bn.

However, the bank is now suffering from a slowdown in VC funding, a cash burn at many of its clients and losses on investments it made when rates were at rock-bottom levels.

During the recent tech boom years, SVB's deposits swelled as it took on cash from start-ups flush with VC funding. SVB ploughed much of these deposits into long-dated securities like US Treasuries, which are deemed safe but are now worth less than when the bank purchased them because the Federal Reserve has increased rates.

New York-based General Atlantic is active in making large minority equity investments in public and private companies using its growth capital funds. It has been a client of the bank for over a decade, according to a source familiar with the matter. It also has a history of investing in banks, having been an early backer of First Republic.

Goldman Sachs and SVB Securities are acting as book-running managers for the share sales.

KPMG [redacted] KPMG LLP
M: [redacted] E: [redacted]

<Q1-2023-Investor-Letter.FINAL-030823.pdf>
<Q1-2023-Mid-Quarter-Update-vFINAL3-030823.pdf>

Email re: Silicon Valley Bank Profit Squeeze in Tech Downturn Attacks
KPMG-SVB-PSI-0000062683

Message

From: Newinski, Laura M [redacted]
Sent: 2/22/2023 1:18:33 PM
To: Pohlman, Jack [redacted]
CC: [redacted] [redacted]
Subject: Fwd: Silicon Valley Bank profit squeeze in tech downturn attracts short sellers

Hi Jack. Thx for the heads up.
> It's a well written article.
> Brief affirmative mention of the accounting treatment.
>
>
> I saw this article when using the Financial Times app and thought you might be interested:
>
> Financial Times,
> Silicon Valley Bank profit squeeze in tech downturn attracts short sellers
> --
> Tabby Kinder in San Francisco, Dan McCrum in London and Antoine Gara and Joshua Franklin in New York
> --
> Read the full article at:
> https://on.ft.com/3SokFxK
>
>
> Laura Newinski
> [redacted]

KPMG SVB Financial Group, Comfort Letter
KPMG-SVB-PSI-WP-0000022480

kpmg

Financial Information Review
Comfort Letter Dated March 9, 2023

Client		**Issuance Date**
SVB Financial group		On or about March 9, 2023
Prepared by	**Date**	**W/P reference**
See KCw Screen	See KCw Screen	D-40

Purpose:

The purpose of this document is to perform an assessment over the financial results of the Company following the audited financial statements as of December 31, 2022, prior to the filing date of the comfort letter as part of the engagement team's down to date review.

Procedures and Results:

The engagement team is required to compare the most recent financial statements with the corresponding period of the previous year and latest audited period, and obtain and evaluate explanations for variances and unusual items. The engagement team notes that as of the filing date the most recent audited consolidated balance sheets as of December 31, 2022 and 2021, and the related conolidated statements of income, comprehensive income, stockholders' equity and cash flows statements for each of the years in the three-year period ended December 31, 2022 were issued on February 24, 2023.

1) The engagement team obtained copy of the balance sheet as of 2/28/2023 as well as the copy of the income statement for the period ended February 2023. The engagement team performed the analytical procedures by reviewing the changes in the balance sheet and income statement financial statement line items as of the latest available financial information date (ie 2/28/2023) compared to the information in the most recently filed form 10-K as of 12/31/2022. For the results of the procedures performed, please refer to **D-40.0010**.

Overall, the engagement team reviewed for large, unusual variances within the context of our understanding of the financial results to determine if an event occurred subsequent to our opinion over the audited financial statements that would have a material effect on the audited financial statements or internal control over financial reporting.

Based on the review of the financial information for the period from December 31, 2022 to February 28, 2023 within the context discussed above, the engagement team did not become aware of an event that occurred subsequent to our opinion over the audited financial statements that would have a material effect on the audited financial statements.

Conclusion:
Based on the review of the available financial information nothing has come to the engagement team's attention that would lead us to believe the audited financial statements as of December 31, 2022, are materially misstated.

KPMG Letter
KPMG-SVB-PSI-WP-0000022509

March 9, 2023

KPMG LLP
55 Second Street
Suite 1400
San Francisco, CA 94105

Ladies and Gentlemen:

In connection with the Comfort Letter issued on March 9, 2023, in connection with the registration statement (No. 333-270229) on Form S-3 filed by the Company under the U.S. Securities Act of 1933, as amended (the "Act"); including the prospectus, dated March 2, 2023, as supplemented by the preliminary prospectus supplement, dated March 9, 2023, relating to the offering of the Company's shares of common stock and herein referred to as the "Registration Statement", we affirm to the best of our knowledge and belief that during the period from December 31, 2022, to this date, and except as set forth in such Registration Statement, (i) no events have occurred that would require adjustment to the consolidated financial statements as of December 31, 2022 and 2021, and for each of the years in the three-year period ended December 31, 2022, or that should be disclosed in order to keep those statements from being misleading and (ii) no information has come to our attention about conditions that existed as of December 31, 2022 that would have a material effect on management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2022. In addition, we affirm to the best of our knowledge and belief that we have made available to you all minutes of the meetings of stockholders, directors, and committees of directors, except for the meetings held on January 18, 2023, January 17, 2023, February 13, 2023, February 14, 2023, February 21, 2023, February 22, 2023, March 3, 2023, March 4, 2023, March 5, 2023 and March 6 for which minutes have not yet been prepared.
Also, we affirm that the unaudited consolidated financial information for January and February of both 2023 and 2022 are stated on a basis substantially consistent with that of the audited consolidated financial statements incorporated by reference in the Registration Statement and that no financial statements are available as of any date or for any period subsequent to February 28, 2023. The consolidated financial information for February of both 2023 and 2022 are incomplete in that they omit the statement of cash flows and other disclosures.

Moreover, to the best of our knowledge and belief:

1. At February 28, 2023, there has not been any change in capital stock, increase in long-term debt of the Company, or any decreases in total assets or stockholders' equity of the Company as compared with the amounts shown in the December 31, 2022 audited consolidated balance sheet incorporated by reference in the Registration Statement, except in all instances for changes, increases, or decreases that the Registration Statement discloses have occurred or may occur and except for:

(1) a decrease in total assets to $208.4 billion as of February 28, 2023 compared to $211.8 billion as of December 31, 2022, and

(2) an increase in long term- term debt to $10.4 billion as of February 28, 2023 compared to $5.4 billion as of December 31, 2022, and

(3) an increase in the capital stock to $59.3 thousand as of February 28, 2023 compared to $59.2 thousand as of December 31, 2022.

2. For the period from January 1, 2023 to February 28, 2023, there have been no decreases, as compared with the corresponding period in the preceding year, in consolidated net interest income or in the total or per share amounts of net income available to common stockholders, except in all instances for changes, increases, or decreases that the Registration Statement discloses have occurred or may occur and except for:

(1) a decrease in consolidated net interest income to $621 million for the two months ended February 28, 2023, compared to $649 million for the two months ended February 28, 2022, and

(2) a decrease in net income available to common stockholders to $186 million for the two months ended February 28, 2023, compared to $213 million for the two months ended February 28, 2022, and

(3) a decrease in basic earnings per common share to $3.15 for the two months ended February 28, 2023, compared to $3.61 for the two months ended February 28, 2022.

3.At March 7, 2023, there has not been change in capital stock, increase in long-term debt of the Company, or any decreases in total assets or stockholders' equity of the Company as compared with amounts shown in the December 31, 2022 audited consolidated balance sheet incorporated by reference in the Registration Statement, except in all instances for changes, increases, or decreases that the Registration Statement discloses have occurred or may occur and except for:

(1) an increase in long term- term debt to $15.4 billion as of March 7, 2023 compared to $5.4 billion as of December 31, 2022, and

(2) an increase in the capital stock to $59.3 thousand as of March 7, 2023 compared to $59.2 thousand as of December 31, 2022.

4. For the period from January 1, 2023 to March 7, 2023, there have been no decreases, as compared with the corresponding period in the preceding year, in consolidated net interest income or in the total or per-share amounts of net income available to common stockholder, except in all instances for changes, increases, or decreases that the Registration Statement discloses have occurred or may occur and except for:

(1) decrease in consolidated net interest income to $806 million for the period ended March 7, 2023, compared to $1.1 billion for the period ended March 7, 2022.

5. At March 7, 2023, there have not been any modifications, material or immaterial, made to the Company's accounting records supporting the amounts, percentages and ratios on the copies of certain pages of documents attached to the comfort letter included in or incorporated by reference in the Registration Statement. Such accounting records were subject to the Company's internal controls over financial reporting.

6. As of the date of this letter, the Company is not past due with respect to any portion of its assessed Public Company Accounting Oversight Board or FASB accounting support fees.

Very truly yours,

SVB Financial Group

Greg Becker

Chief Executive Officer

Dan Beck
Chief Financial Officer

Karen Hon
Chief Accounting Officer

APPENDIX II

SBNY Whistleblower Memorandum
KPMG-SBNY-PSI-WP-0000029635

KPMG

Actual or Suspected Non-Compliance with Laws and Regulations, including Illegal Acts, Not Deemed to be Clearly Inconsequential

Entity		**Period-end**
Signature Bank		12/31/22
Prepared by	**Date**	**W/P reference**
[redacted] KPMG	7/21/22	See KcW File

Purpose:

The purpose of this memorandum is to document KPMG's consideration of the scope, procedures, findings and conclusions of the investigation performed and the adequacy of any remedial actions taken by the Company regarding actual or suspected non-compliance with laws and regulations, including illegal acts, that is not deemed to be clearly inconsequential in accordance with KAEG-P: AS 2405 *Illegal Acts by Clients*.

Background and Entity's Procedures

On [redacted] Signature Bank received a letter from a former employee. On July 12, 2022, the LAEP, Michael Keehlwetter and LAEM , [redacted] KPMG were notified by General Counsel of the letter from [redacted] WB On July 27, 2022, the LAEP, LEAM and KPMG Forensic Director, [redacted] KPMG inspected the letter. The points below summarized the allegations and statements made by the former employee in [redacted] WB letter to the bank.

- On [redacted] Signature Bank ("the Bank") received a written letter from the law office of [redacted] Law Firm (LF) regarding [redacted] Whistleblower (WB) notice of termination from the Bank on [redacted] WB alleges that events leading to the termination of [redacted] WB employment indicate that the Bank's conduct violated 1) the whistleblower protections in section 806 of the federal Corporate and Criminal Fraud Accountability Act of 2002 and 2) New York's recently expanded whistleblower law, New York Labor Law 740.
- [redacted] WB was hired in [redacted] In this role [redacted] WB was tasked with [redacted] WB reported to [redacted] Signature Bank, the Banks Chief Lending Officer ("CLO") and a member of the Bank's Management Committee ("MCC").
- In [redacted] WB role, [redacted] WB claimed that the Bank was utilizing significantly inflated values of loan collateral, which in turn were used to calculate artificially low loan to value ratios (LTVs). [redacted] WB alleged that the utilization of such inaccurate LTVs violated FDIC regulations. [redacted] WB alleged that the Bank in turn reflected these inaccurate LTVs in its books and records and then publicly reported these same inaccurate LTVs which constituted a misrepresentation of the LTVs and a violation of FDIC Rule 10b-5. Note, the claims by [redacted] WB were generally around LTV's used in the underwriting process and there were no specific claims of inaccurate LTVs in 3rd party appraisals. [redacted] WB meeting between the Bank and the FDIC which [redacted] WB participated in as part of the Bank's regular communications with the FDIC, that the FDIC agreed with and echoed [redacted] WB concerns regarding inaccurate LTV.

- WB claims to have reported and documented these concerns to senior management at the bank including the Chairman of the Board of Directors, Chief Lending Officer, Chief Financial Officer, Chief Risk Officer and Head of Investor Relations. Specifically, WB WB claimed WB concerns were purportedly reported via an [redacted] Of the individuals referenced in WB letter, only the CFO provides management representations to the engagement team. WB also reported that WB faced pressure from the CRE team to ignore inaccurate valuations, poor underwriting, and proper structure to mitigate risk, including on distressed loans. WB also claims that while senior management at the Bank were fully aware of WB concerns, they were nonetheless determined to keep this from public view to keep in place a highly inflated stock price and not interfere with the bank's expansion plans or capital raising activities, including the issuance of shares in January 2022.
- WB was terminated from the Bank on [redacted], due to performance issues.
- At the conclusion of his termination meeting on WB notified the Bank's HR department of WB willingness to negotiate a more appropriate separation package with the Chairman of the Board of Directors. Having not heard from the Bank's HR department over the ensuing 3 months, WB indicated that WB was compelled to submit this letter to the Bank to be used for settlement purposes only.

Upon receipt of the letter, [redacted] the Bank's SVP General Counsel, Seth Stern, engaged an external law firm, LF specifically Law Firm Partner (LFP) Partner, to perform an investigation of the matter and the allegations made. The General Counsel was not named in the letter from the former employee. The Bank has used LF previously on litigation matters, however, the engagement team and KPMG Forensic did not consider this to be an impairment of the objectivity of LF Further, the engagement team and KPMG Forensic evaluated the fact that external counsel was engaged by General Counsel and not the Examining Committee and given the facts and circumstances of this matter determined this to be appropriate. The Examining Committee Chairman was kept abreast of the investigation as it progressed, and the full Examining Committee was debriefed once a conclusion was reached by external counsel. As discussed further within the KPMG Procedures section, the engagement team and KPMG Forensic concluded in accordance with the requirements of PPL 22-008 that LF and LFP have the appropriate competency and objectivity to assist the Bank with the investigation. Management fully cooperated with the investigation, providing all requested communication and documents, and making themselves available for the interview process being conducted by external counsel.

Mike Keehlwetter - Lead Engagement Partner, KPMG - Lead Engagement Senior Manager, and KPMG Forensic Director conducted inquiries with LFP, KPMG and Steve Wyremski – Chief Financial Officer of the Bank on [redacted] to discuss the scope and nature of the investigative procedures performed by LF (the scope of the investigation is documented below). As a written report has not been compiled by LF, LFP provided the engagement team and KPMG Forensic an oral summary of the investigation of the matter focusing on the allegations and timeline referenced by WB in WB letter. These allegations were divided into three categories, [redacted], and Inappropriate Valuation of CRE Collateral / Financial Statement Impact. Unless noted otherwise, the scope of the investigation was [redacted] which was determined to be appropriate by LF as it encompassed the duration of WB employment with the Bank. The investigative procedures performed by LF consisted of:

- Performed an email search for the in-scope period of all email correspondence (e.g., to/from/cc/bcc) between WB and all individuals mentioned in WB letter, which included the Chairman of the Board of Directors, Chief Lending Officer, Chief Financial Officer, Chief Risk Officer and Head of Investor Relations. The email search also included all specific dates of correspondence mentioned in WB WB letter, which primarily consisted of [redacted] and [redacted] Note that the Bank uses [redacted] as a service provider to retain and monitor email accounts. As part of [redacted] service, all email correspondence between one individual with another individual is maintained as one unique id resulting in one "hit" in an email search which allowed LF to identify and review full email strings between WB and all individuals referenced in WB allegation letter. LFP noted key words utilized per the review included, but were not limited to FDIC, LTV, [redacted] in addition to reviewing all correspondence regarding the specific topics listed above. LFP noted the communications review was conducted over email only (electronic messaging such as Slack applications are not widely adopted at the bank) due to the collective results of the investigative procedures performed as discussed throughout this memorandum. KPMG Forensic determined this approach appeared reasonable given the nature of the collective investigative procedures performed and corresponding results.

- A preservation notice was implemented by Signature Bank for all individuals referenced in the allegation letter regarding such correspondence.

- Performed both electronic and hardcopy documentation review which encompassed reviewing underlying data from the Whistleblowing Platform [redacted] for the period of WB employment to determine whether WB had previously raised the concerns WB was alleging in WB letter and whether any concerns submitted anonymously matched any of the concerns alleged in WB letter [redacted] WB performance reviews and HR records, allowance methodology documents, allowance quarterly update memos, economic forecast committee materials and meeting minutes.

- Conducted interviews of 5 individuals. Note, these individuals were also subject to email searches performed by external counsel. The individuals interviewed as part of the investigation were as follows:
    - Signature Bank – CRE Front Office
    - [redacted]
    - [redacted]
    - Steve Wyremski – Chief Financial Officer ("CFO")
    - Keisha Hutchinson – Chief Risk Officer ("CRO")

- LF indicated that they had 2-3 conversations with the law firm representing WB WB where LF provided WB lawyers with summaries of the results of the investigative procedures. LF determined not to interview WB as part of the investigation given the potential for employment related litigation; no lawsuit has been filed at this point. KPMG Forensic noted this is not unusual for this type of matter.

Based on the investigative procedures performed as summarized above and corresponding results obtained as discussed below, [redacted] noted the [redacted] team considers their investigation complete as of [redacted] and [redacted] has not recommended any additional investigative procedures to be performed. [redacted] explained that [redacted] worked related to this investigation is complete; however, [redacted] work as it relates to potential future employment related litigation could result in additional procedures being performed.

Entity's Findings and Conclusions

Per the [redacted] inquiry of [redacted] as noted above, the engagement team and KPMG Forensic also received an oral summary of [redacted] findings categorized into three categories aligning with the allegations in [redacted] letter. In summary, [redacted] stated the investigation determined [redacted] allegations were unfounded and there was no evidence of non-compliance with laws and regulations, including illegal acts. The findings communicated by [redacted] to the engagement team and KPMG Forensics are detailed in each respective category below.

1. Alleged Retaliatory Termination:

    a. Based on the investigation performed as documented above, [redacted] determined Redacted - Signature Privilege Rather, the evidence showed that the termination was based on poor performance which was documented in the performance reviews and corroborated through the interview process. [redacted]

    b. [redacted] did not identify any evidence that [redacted] had previously raised any of the allegations referenced in [redacted] letter via any of the Bank's reporting mechanisms during [redacted] employment and there were not any anonymously submitted complaints that matched [redacted] concerns raised in [redacted] letter.

2. Interpersonal Tensions / Conflicts with Signature Employees

    a. Based on the investigation performed included in the procedures documented above, external counsel concluded that these claims are not substantiated. It is external counsel's view Redacted - Signature Privilege Redacted - Signature Privilege Redacted - Signature Privilege [redacted] was previously employed by a [redacted] which by nature is much more conservative than a bank like Signature which is a balance sheet lender based on customer relationships. The difference in risk tolerance between a [redacted] business model and a regional commercial real estate bank were not fully understood by [redacted] which was a direct result of [redacted] poor performance. [redacted] had a "cultural resistance" to the types of loans that Signature originates and was unable to adapt to his new environment.

b. KPMG inquired specifically on executive management's response to these conflicts and if the investigative team reviewed any evidence that would indicate issues with management's integrity. [redacted] noted that there was no evidence of management integrity concerns based on the procedures performed related to the individuals referenced in [redacted] allegation letter. Further, [redacted] noted that when conflicts regarding disagreement in philosophy amongst [redacted] and the CRE team arose, there was clear evidence of executive management's (inclusive of the CFO) efforts to address the interpersonal conflicts between [redacted] and other employees at the Bank and handle the situation in an appropriate business manner explaining the differences in philosophy.

3. Valuation of CRE Collateral / Financial Statement Impact

   a. Based on the investigation performed included the procedures documented above, [redacted] did not find any evidence indicating that collateral values or LTVs were overstated, nor did they find any evidence that calls into question the value of the loans on the Banks books, or its valuation process or methodology. Further, there was no evidence, written or verbal, supporting the claims that [redacted] raised concerns on the allowance process, the allowance model methodology, LTVs, or any other metrics or calculations that would impact financial reporting. There was no evidence that [redacted] had reported any concerns through the Bank's whistleblower hotline or other channels.

   b. Additionally, it was also evident from the procedures performed that [redacted] did not fully understand how the Bank's allowance models and methodology worked. As noted by the CFO and corroborated by external counsel, the allowance models use 3rd party rent roll data and 3rd party appraisal data as a starting point to the LTVs and Debt Service Coverage Ratio ("DSCRs") which are used to calculate the reserve. The LTV, DSCR and the overall reserves are then adjusted using third party economic forecasts which align with the bank's loan portfolio. To capture the commercial real estate market risks, including those in the retail and office space, executive management used the pessimistic forecast options (in contrast to the baseline forecast) which appropriately calibrated the ACL models to account for the market pressure seen in the commercial real estate space.

   c. With respect to the [redacted] memo mentioned in [redacted] letter, [redacted] found that the memo was general in nature, discussing the overall CRE market including the stress seen in the retail and office space as well as the potential impact this may have on Signatures CRE portfolio. However, the memo never raised concerns on valuations, nor did it mention any specific loans within the bank's portfolio or concerns regarding the accuracy of LTV's and corresponding disclosures.

   d. Lastly, the investigation found that there was no evidence that suggests the FDIC raised any concerns or supported [redacted] claim of inaccurate LTV's as noted in [redacted] letter. [redacted] noted subsequent to the [redacted] FDIC meeting referenced in [redacted] letter, the Bank has not received any communications from the FDIC related to [redacted] claim. Further, [redacted] did not identify any communications where [redacted] raised concerns with FDIC regulations or reporting during his employment.

Based on the investigative procedures performed above and the results obtained [redacted] determined their investigation is complete, and [redacted] has not recommended any additional investigative procedures to be performed. [redacted] provided a verbal summary of the nature and scope of the investigation and corresponding findings to the Signature Bank Examining Committee (which is the equivalent of the Bank's Audit Committee) on August 5, 2022. As noted above, [redacted] determined [redacted] allegations were unfounded and there was no evidence of non-compliance with laws and regulations, including illegal acts.

Based on the scope, procedures, findings, and conclusions reached by [redacted] there were no remedial actions recommended by [redacted] [redacted] concluded that Redacted - Signature Privilege Redacted - Signature Privilege

Based on the investigation and conclusions reached by [redacted] Mr. Wyremski (CFO) and Mr. Stern (General Counsel) determined there is no impact to the financial statement disclosures as a result of this matter.

Based on the investigation and conclusions reached by [redacted] Mr. Wyremski (CFO) and Mr. Stern (General Counsel) did not identify any ICFR implications requiring assessment.

The [redacted] investigation did not identify any evidence that would indicate concerns with management integrity, which includes Mr. Wyremski (CFO) who was referenced in [redacted] letter and provides management representations to the engagement team.

[redacted] determined based on the results of the [redacted] investigation, self-reporting to regulators was not necessary. [redacted] provided regular updates to the Chairman of the Examining Committee throughout the process and the Examining Committee agrees with the conclusion self-reporting is not necessary.

Based on the results of the [redacted] investigation, [redacted] and the Examining Committee concur with [redacted] conclusions that the [redacted] investigation is complete and [redacted] allegations were unfounded with no evidence of non-compliance with laws and regulations, including illegal acts and no evidence of concerns with management integrity identified. [redacted] has noted to-date [redacted] has not recommended any additional investigative procedures and [redacted] potential continuing involvement, if necessary, would be to supplement any employment litigation.

KPMG Procedures

The engagement team and KPMG Forensic evaluated [redacted] as a firm, and [redacted] as management specialists in accordance with PPL 22-008. As noted above, [redacted] has previously assisted the Bank on other legal matters, none involving this particular matter and [redacted] does not serve as SEC counsel. As such, the engagement team and KPMG Forensic determined [redacted] as a firm and [redacted] have the appropriate objectivity and competency to assist the Bank in this matter. The specialists' work and the procedures the engagement team performed to evaluate it provided sufficient appropriate evidence and are consistent with what is documented in this memorandum. The engagement team evaluated KPMG Forensics' qualifications in accordance with PPL 22-008 and concluded that the specialists have the appropriate competency and objectivity to assist the engagement team with this matter and that the specialists' work and the procedures the engagement team performed to evaluate it provided sufficient appropriate evidence and are consistent with what is documented in this memo. The engagement team's documentation in response to the requirements of PPL 22-008 is not within the scope of this consultation with DPP and will be included within the FY22 audit file.

Document Review: The engagement and KPMG Forensic reviewed [redacted] allegation letter in order to obtain an understanding of the specific allegations.

Inquiries: Mike Keehlwetter, Lead Engagement Partner, [redacted] Lead Engagement Manager, and [redacted] KPMG Forensic Director inquired of the following individuals:

- Steve Wyremski – CFO
- Seth Stern – General Counsel
- [redacted] – Senior Counsel, Signature Bank Litigation
- [redacted] External Counsel Partner and Lead Investigator

As a written report was not produced by [redacted] on July 27, 2022, the engagement team and KPMG Forensic obtained a verbal summary from [redacted] regarding the nature and scope of [redacted] investigation and corresponding findings as documented throughout this memorandum.

KPMG Forensic performed the following shadow procedures related to the investigation:

- evaluated the investigation period, interviewee list, and custodian list for appropriateness. KPMG Forensic concluded that the investigation period, interviewee list, and custodian list were appropriate.
- assessed the adequacy of the email review inclusive of the email review period, custodians, and key words, as well as the [redacted] investigators' determination of the communications review to include emails only based on the nature of [redacted] allegations referencing specific emails and memos. KPMG Forensic concluded that the email review period, custodians, key words, and conclusion to review emails only were appropriate.
- gained an understanding of the nature of the findings from the interviews and document reviews, as summarized above.
- assessed the adequacy of the [redacted] investigative procedures to address [redacted] allegations; and
- gained an understanding of the conclusions reached by [redacted] and the Examining Committee based on the [redacted] investigation.

Based on the [redacted] investigative procedures performed, KPMG Forensic determined the scope and nature of the procedures were adequate to address the matters. The engagement team and KPMG Forensic agree with [redacted] and the Examining Committee's conclusion that the [redacted] investigation into [redacted] allegations is complete.

On July 29, 2022, the engagement team inquired of the Chair of the Examining Committee who confirmed that he heard the same facts presented by [redacted] that were previously presented to the audit engagement team and Forensics on July 27, 2022.

Financial Statement and ICFR Implications

- *Document any financial statement errors in previously reported financial statements. Assess need to make corrections of any errors in previously reported financial statements.*

  No errors in previously reported financial statements, other than immaterial items reported on the summary of audit differences which are unrelated to the matter described above. No need to make any corrections as a result of this matter.

- *Document KPMG's assessment of financial statement implications, including asserted and unasserted claims.*

  No need to accrue any liabilities for the matter above based on the lack of evidence for the allegations. No loss is probable or estimable. We understand from inquiry of management that the former employee has requested $5 million to settle that matter which the Bank rejected. The Bank concluded the claims are without merit and did not make a counteroffer to the employee. This amount is immaterial in relation to our audit materiality of $80 million.

- *Document KPMG's assessment of financial statement disclosures.*

  Refer to the section above. Based on the procedures performed the engagement team determined the financial statement disclosures were fairly presented in the current and prior periods as it relates to this matter. The Bank determined that it was not necessary to disclose the investigation in the financial statements as the allegations were not deemed to be substantiated by management or external counsel.

- *Document KPMG's assessment of ICFR implications.*

  Inspection: The engagement team has not identified a control deficiency related to this matter or any actual or suspected non-compliance with laws and regulations, including illegal acts. The engagement team inspected the previous year financial statements and previous year audit testwork, including the prior year SICD and SUAM.

  Results: As a result of procedures performed, the engagement team has not identified an indicator of a control deficiency or a material weakness per KAEG AS 2405.12-13| 1.3.

Audit Implications

Based on our consideration of the above factors as well as the results of the procedures performed as documented within this memorandum, the audit engagement team determined that nothing has been identified with regard to this matters which would indicate:

1. Any material misstatements in the current or prior period financial statements
2. Any material misstatements in the current or prior period financial statement disclosures
3. Ineffectiveness of internal control over financial reporting

Therefore, there are no audit implications or additional procedures necessary as it relates to this matter. The audit engagement team determined that, based on our procedures performed, it was not necessary to revise our audit risk assessments nor was it necessary to expand audit procedures.

Management Integrity

KPMG Partner Michael Keehlwetter inquired of Derick Cephas, Examining Committee Chair, on July 15, 2022 regarding the matter discussed above and any findings that may have bearing on the integrity of those in a financial reporting oversight role. None were noted. Additionally, we spoke with Mr. Cephas on August 5, 2022, after external counsel spoke with the Examining Committee to confirm that the Committee was satisfied with the scope, procedures, findings, and conclusions of external counsel. Mr. Cephas confirmed that the Committee was satisfied.

Through our interactions with management throughout the course of the prior audits, management has demonstrated that it acts with integrity and takes the appropriate actions when suspected noncompliance with laws or regulations are identified. As part of the year end audit procedures and statutory audits, the KPMG team will obtain a representation letter from management which will include the representation that all known instances of actual or suspected non-compliance with laws and regulations, including illegal acts, whose effects should be considered when preparing the financial statements have been disclosed to KPMG.

Based on the procedures performed, as detailed above, the audit engagement team determined that no information came to our attention that would indicate a lack of integrity by management. As such, the audit engagement team determined that we can continue to rely on the representations of those in a financial reporting oversight role.

As noted above, for each quarterly review and year-end audit the engagement team will require management to provide written representations that all known instances of actual or suspected non-compliance with laws and regulations, including illegal acts, whose effects should be considered when preparing the financial statements have been disclosed to KPMG.

Remedial Actions

As documented above, the allegations in this matter were not substantiated by external counsel performing an independent investigation. Further, based on KPMG's inquiries of executive management and the respective procedures performed, the engagement team concurs that allegations and claims were unfounded. As such, remedial actions are not necessary for this matter.

Conclusions

e have reviewed the information provided to us by the Company related to this matter. Based on the considerations summarized above and all facts known to the engagement team, and the actions taken by the Company, the engagement team concludes that:

- The Company has taken appropriate action where necessary, which included hiring an objective external law firm to perform an investigation and management cooperated with the investigative team.
- The external counsel conducted an thorough investigation and, concludeding that the allegations in the letter are unfounded.
- The scope and nature of the procedures performed by external counsel conducting the investigation were sufficient to form a on conclusion on the matter.

The Company has completed its investigation of this matter. Based on the procedures performed and conclusions reached by the investigation team summarized above, the Company did not identify any instance of non-compliance with laws and regulations, including illegal acts, by the Company or any of its employees. The investigation did identify impacts related to the current and historical financial statements and internal controls as documented above. There is no impact to the engagement team's ability to continue to rely on the representations of management related to these matters. The engagement team agrees this matter is now considered closed.

Consultation

The engagement team has discussed the aforementioned sequence of events, the actions taken by the Company and considerations and procedures performed by the engagement team with the following individuals at various times during the course of this matter.

- [redacted] Partner, DPP
- [redacted] – Senior Manager, DPP
- [redacted] - EQCR
- [redacted] Managing Director Advisory (Forensics)
- [redacted] Director Advisory (Forensics)

Each has reviewed this memorandum and is in agreement with the conclusions reached based on the information presented.

[redacted] of the Office of General Counsel has also been consulted in accordance with the requirements of KAEG-P: AS 2405 *Illegal Acts by Clients*.

Signature Bank Q22 Quarterly Update
KPMG-SBNY-PSI-WP-0000037672

Signature Bank
1Q22 Quarterly Update
April 13, 2022

Meeting Info

Participants:	KPMG Participants:
[redacted], *Federal Deposit Insurance Corporation (FDIC)*	Michael Keehlwetter, *Partner*
[redacted], *NYS Department of Financial Services (NYS DFS)*	[redacted], *Senior Manager*

Agenda

Topic

Quarterly Update

- Status & noteworthy findings of ongoing or recently completed exams / reviews
- CECL / allowance for credit losses – Review is completed and currently under review. There is a recommendation expected to come regarding documentation and support for valuations used in collateral dependent loans. The regulators are not questioning the values, but rather the support provided to determine the values was inconsistent and sufficiently documented.
- Liquidity - Review is completed and report is in review. No new recommendations, but a number of historical outstanding recommendations. 1 MRBA and 15 SR's that need to be addressed. The findings are based on contingency planning, funding planning, stress scenarios, and deposit behavior.
- CRM (previously soft close) - Since the initial review was completed in Q1'21 and no letter was issued; the Regulators will consolidate this review into the overall roll up letter. Regulators are questioning the bank's ability to obtain updated appraisals. Found instances where the bank should have received updated appraisals in line with policy but did not and therefore had outdated samples. Review was focused on risk ratings for CRE, which does not impact the ACL.
- BSA (previously soft close) – Issued to the Bank. KPMG to obtain.
- 2022 priorities and planned exams / reviews
  - Corporate Governance Exam just started and has been accelerated due to the bank's significant growth over the past few year.
  - A Strategic governance review is planned which was last completed in 2016. This review covers Board and Executive Management.
  - Capital and Strategic Planning Exam is also planned to start in early July.

Standard Inquiries

- Any regulatory findings that might impact either the financial statements or internal controls over financial reporting? None noted

SBNY Signet Workpaper
KPMG-SBNY-PSI-WP-0000011990

Understand the process control activities

Control

DP 03 Signet DDA Reconciliation

Objective of the process control: Understand how the control activity addresses the relevant PRPs.

The engagement team notes Signet transactions can only occur internally with other SBNY customers who use Signet and cannot be used to transact with external parties outside of the Bank's environment. Therefore the financial statement assertion level risk that this control aims to cover is over the completeness of transactions to ensure that transactions between Signet users are done so completely.

PRP ID	PRP(s)	RMM	How the process control activity addresses the PRP
PRP.DEP.16	Net Signet balance does not reconcile to the Omnibus DDA account balance in the GL, resulting in a misrepresentation of the account balance.	Accrued or other liabilities and related expenses are not accurately recorded or have not occurred. , Accrued or other liabilities and related expenses are not completely recorded in the correct accounting period. , Deposits are not recorded in the correct accounting period.	Bank Operations Manager or Client Services Team Leader reviews the Signet vs. Omnibus DDA reconciliation which entails performing a 2-way match between the Signet customer portal and the internal DDA Omnibus account of the Bank within IMPACs. The Accounting Manager will post GL entries if a reconciling difference is identified and an adjustment is needed.

Nature: AUTOMATED / **MANUAL**

Type: DETECTIVE / **PREVENTIVE**

Frequency: Daily

Add control operator(s).

Control operator role and/or name	Assess the authority and competence of the control operator(s).
[redacted] Client Services Team Leader	[redacted] has the competence (knowledge, experience and skills) to adequately perform the operation of the control activity. He has been with the Bank in her current position for many years, has been trained in the steps of performing the control activity for many years and is familiar with the policies and procedures of the Bank that are under his responsibility. He has the authority to effect change if there are differences noted as a result of his review of the reconciliation between Signet and Internal DDA Ombinus account.
[redacted] Bank Operations Manager	[redacted] has the competence (knowledge, experience and skills) to adequately perform the operation of the control activity. He has been with the Bank in her current position for many years, has been trained in the steps of performing the control activity for many years and is familiar with the policies and procedures of the Bank that are under his responsibility. He has the authority to effect change if there are differences noted as a result of his review of the reconciliation between Signet and Internal DDA Ombinus account.
Various Bank Operations Team Members	Bank Operations Team Members have the competence (knowledge, experience and skills) to adequately perform the operation of the control activity. They have been with the Bank in her current position for many years, has been trained in the steps of performing the control activity for many years and is familiar with the policies and procedures of the Bank that are under his responsibility. He has the authority to effect change if there are differences noted as a result of his review of the reconciliation between Signet and Internal DDA Ombinus account.

Understand how the process control activity is performed

Identify the control attribute(s) and how the performance is documented, including, if applicable, the criteria/threshold for investigation used to identify outliers. If information is used by the control operator and addressed by a control attribute(s), also document how the control attribute(s) evaluates the relevance and reliability of the information.

Control attribute	Does the control attribute involve judgment?
As evidenced by sign-off in the reconciliation report, the Bank Operations Manager or Client Services Team Leader, reviews the Signet vs. Omnibus DDA reconciliation which entails performing a 2-way match between the Signet customer portal and the internal DDA Omnibus account of the Bank within IMPACs for the following information: - month-end balances - total pending sends, redemptions and deposits at the end of the month - total sends, redemptions and deposits for the month An outlier is defined as any month-end balance that does not reconcile between Signet customer portal and the internal DDA Omnibus account sourced for the banks IMPACs deposit subledger.	●

Understand information used by the control operator to perform the control activity

Is information used by the control operator where its relevance and reliability is addressed (i) within one or more control attributes or (ii) within a control attribute of another control over the same information and RDEs?

● Yes ○ No ○ Not selected

Identify the information used by the control operator and identify where the relevance and reliability of the information is addressed either within: (i) one or more control attributes (as described above) or (ii) within a control attribute of another control over the same information and RDEs.

Where is the relevance and reliability (incl. completeness and accuracy) of information used in the control addressed?

Information	Internal/ External	RDE(s)	Reference to where relevance and reliability of the information is addressed	Relevance	Reliability	Completeness	Accuracy
DDA Reconciliation Report	Internal	Date Net Signet Balance DDA Available Balance	Addressed in the performance of this control	Management deems the DDA Reconciliation Report to be relevant as this reconciliation is used to agree Signet to IMPACs.	Reliability is addressed by the control attribute within the control as it addresses the C&A of the information	Addressed by the control operator in attribute 1	Addressed by the control operator in attribute 1
Signet Bank Operations Supervisor Dashboard	Internal	Pending Sends Pending Redemptions Pending Deposits Today's Sends Today's Redemptions Today's Deposits	Addressed in the performance of this control	Management deems the Signet Bank Operations Supervisor Dashboard to be relevant as it summarizes the balances that are used to agree the Omnibus DDA account to Signet.	Reliability is addressed by the control attribute within the control as it addresses the C&A of the information	Addressed by the control operator in attribute 1	Addressed by the control operator in attribute 1
Signet Transaction Log	Internal	Pending Sends Pending Redemptions Pending Deposits Ending Balance Date	Addressed in the performance of this control	Management deems the Signet Transaction Log to be relevant as it details the activity in Signet.	Reliability is addressed by the control attribute within the control as it addresses the C&A of the information	Addressed by the control operator in attribute 1	Addressed by the control operator in attribute 1
IMI 1 Report	Internal	Current Balance DDA Balance	Addressed in the performance of this control	Management deems the IMI 1 Report to be relevant as it is evidencing the Current Balance in IMPACs.	Reliability is addressed by the control attribute within the control as it addresses the C&A of the information	Addressed by the control operator in attribute 1	Addressed by the control operator in attribute 1
IMI 2 Report	Internal	Deposit Amount Redemption Amount	Addressed in the performance of this control	Management deems the IMI 2 Report to be relevant as it is showing the itemized activity.	Reliability is addressed by the control attribute within the control as it addresses the C&A of the information	Addressed by the control operator in attribute 1	Addressed by the control operator in attribute 1
Signet Transaction History	Internal	Deposit Amount Redemption Amount	Addressed in the performance of this control	Management deems the Signet Transaction History to be relevant as this confirms all the transaction not included in the reconciliation due to the timing of the reconciliation.	Reliability is addressed by the control attribute within the control as it addresses the C&A of the information	Addressed by the control operator in attribute 1	Addressed by the control operator in attribute 1

Is information used by the control operator where its relevance and reliability is not addressed within one or more control attributes?

Yes No Not selected

Understand the level of precision of the process control activity

Predictability of expectations

- The control attributes do not involve developing expectations. Accordingly, this factor is not applicable.
- The control attributes involve developing expectations.

Level of aggregation

- The control operates with no aggregation, such as the individual transaction or item level, which indicates high precision.
- Other

Consistency of performance

- The control is designed to operate consistently each time it is performed and at a predefined frequency, which indicates high precision.
- Other

Criteria for investigation

- The control attributes do not include thresholds for investigation. As such any differences are considered outliers, which indicates high precision.
- The control attributes involve pre-defined quantitative threshold(s) over which all differences are investigated and resolved.
- The control attributes involve either variable quantitative threshold(s) or qualitative threshold(s) for identifying outliers.
- Other

Evaluate design and implementation

Document procedures performed to evaluate design and implementation for each control attribute.

Inquiry Observation Inspection

KPMG performed the following procedures to evaluate the design and implementation of the control:

- Inquired of Signature Bank Bank Operations Manager, and walked through an example of the Signet vs. DDA Ombinus account reconciliation process. Signature explained to us the specific steps and actions taken in the performance of the control attributes, providing us with relevant documentation during the discussion.
- Inspected an example of the reconciliation for March 31 2022 and note the information (e.g. ending balances, total pending sends, redemptions, deposits and the total sends, redemptions and deposits for the month) between Signet customer portal and the internal DDA Omnibus account of the Bank within IMPACs matched. KPMG also inspected if there were GL entries posted to clear reconciliation differences, as applicable.
- Inspected the reconciliation report and verified that it was reviewed by either the Bank Operations Manager or the Client Services Team Leader as evidenced by sign-off on the report.

See attachment at DP-03.1 for procedures performed by the engagement team over the Signet vs. DDA Reconciliation. The engagement team concluded that the control is designed and implemented effectively, and the precision of the control is sufficient, taking into consideration the factors documented above such as frequency of performance of control activities, level of disaggregation, and procedures to identify, investigate and resolve outliers.

Design: Is the control capable of effectively preventing or detecting and correcting material misstatements?

Yes No Not Selected

Implementation: Does the control exist and is the entity using it as designed?

Yes No Not Selected

Memorandum Assessing Transaction Processing Risk of Signature Bank

KPMG-SBNY-PSI-WP-0000038128

ABCD

Transaction Processing Risk Assessment

Client		**Period-end**
Signature Bank		12/31/2019
Prepared by	**Date**	**W/P reference**
KPMG	See eAudIT	2.11.DP-.1.0060

Purpose

This memorandum documents the engagement team's consideration of risks within Signature Bank's (Signature or the Bank) deposit transaction processing workflows considering the initiation point for deposit transactions as well as documents our understanding of the flow of those transactions as we considered RMM 1.1 and 1.2 from the ASC 405 that liabilities are not accurately or completely recorded. The engagement team responded to these risks in the Deposits RAAR at 2.11.DP-.1.0030**.** Deposit transactions primarily may be received/entered at a Financial Center, via ATM, ACH/wire, on-line (via Signet) or through a mobile application. This risk assessment supplements the engagement team's process understanding of the flow of transactions in the cash and deposits flowcharts at 2.11.C-.1.0010 and DP-.1.0010, respectively.

Deposit Transaction Types:

For the evaluation of deposit transactions, the following types were assessed.

- Financial Center transactions (cash or check deposits)
- ATM
- ACH
- Wire transfers
- Transfer of funds between accounts (Signet)
- Mobile Banking transactions
- Loan payments

Deposit Processing Application Overview:

This memo describes and assesses (1) the initiation point for a deposit transaction (i.e., teller processing, Internet banking, Mobile banking, ACH, and Wire Transfers), (2) evaluates the corresponding application(s) used to capture the applicable transactions, (3) documents the engagement team's assessment of each of these applications, and (4) describes the deposit GL/suspense account processing.

The Bank outsources their deposit applications to third party service provider FIS. The primary core deposit applications are FIS IMPACs and FIS Savings/Time. (Note the Bank also utilizes FIS Mobile Banking, but as mobile deposits can only be made through checks, the engagement team did not identify a risk of material misstatement related to the mobile banking deposit channel.) The Bank also utilizes additional third party applications to support wire transactions, ACH transactions, and online account transfers. These include Finastra, Fiserv and Tassat, respectively. KPMG inspected each of the applicable SOC1s related to these applications to understand the source and flow of the transactions from the initiation point to processing.

SOC1s

KPMG inspected the following SOC1s as part of the deposit processing understanding, deposit transaction risk assessment, and to assess which IT applications are in-scope for this audit. Each report covers the period January 1, 2019 to September 30, 2019. Additionally, a bridge letter was obtained by the engagement team for the period of October 1, 2019 and December 31, 2019. The service auditors, Grant Thornton (FIS), EY (Finastra) and Deloitte (Fiserv) issued unqualified opinions for each of the reports. For the in-scope applications, the applicable Complimentary End User Control Considerations were evaluated as well as any exceptions noted within the reports.

<u>In-Scope SOC1 Transaction Related Applications:</u>

- FIS Technology Center – (refer to 2.9.8.3 for SOC 1 evaluation)
- Finastra PAYplus USA System (refer to 2.9.8.13 for SOC1 evaluation)
- Fiserv Treasury Operations Solutions (refer to 2.9.8.8 for SOC1 evaluation)

Note that Tassat does not provide a SOC1 report, therefore management provided an assessment as to the governance process over Tassat and the relevant CEUCs at the Bank to address the risks of relying on the service organization. Refer to 3.2.DP-3.0020.

Financial Center/Teller Deposit Processing

A customer may initiate a deposit transaction in person at any Signature Financial Center. These transactions are initiated with a teller at the Financial Center.

<u>Branch/Teller Deposit Transactions:</u> Cash deposit, cash withdrawal, check deposit, transfer of funds between deposit accounts, and loan payments.

<u>Understanding of the Teller Application:</u> The engagement team inquired of Signature Bank [redacted] to understand the process in which deposit transactions are initiated and processed by the teller using FIS TouchPoint.

Customers would complete a deposit or withdrawal at a teller window. TouchPoint provides tellers with the ability to set up new accounts, set account parameters, perform deposit account maintenance and account servicing. Tellers input deposit transactions into the TouchPoint system. On a nightly basis, transaction data is transferred from TouchPoint to FIS IMPACs or Savings/Time through a direct interface.

<u>Engagement Team's Assessment of Teller Deposit Application:</u> The engagement team notes that TouchPoint is included as an in-scope application and is included in the population for GITC testing (refer to 2.13.1). The engagement team believes the identified key SOX controls (below) address the RMMs related to liabilities not being complete and accurate.

<u>Conclusion</u>: The engagement team concluded that TouchPoint has been identified as an in-scope application. The TouchPoint to IMPACs and Savings/Time interface controls were tested at 2.11.DP-10 and 2.11.DP-10.1.

Internet Banking Deposit Processing

<u>Internet Banking Deposit Transactions:</u> Due to Signature's unique business model which focuses on developing personal relationships with business and high net worth individuals to provide a full range of financial services, customers cannot create accounts online and internet banking is limited to account maintenance and transferring funds between accounts. Additionally, Signature has introduced its

proprietary real-time customer transaction solution, Signet, as of January 1, 2019. While typical account transfers take time to clear before being released, reducing the risk associated with the transfer, Signet allows business customers to create an online account in which they can transfer deposits into Signets within their Signet wallet, and transact real-time with existing Signature business customers.

Understanding of the Internet Banking Application: As noted above, the Signet Platform is supported by Tassat, and while Tassat does not issue a SOC1 report, management performed an assessment over the governance process and CEUCs related with Tassat.

Engagement Team's Assessment of Internet Banking Applications: An existing customer must go through the same account opening process to be authenticated to open a Signet account. Once authenticated, the customer can access their Signet wallet. Signature business customers must have open deposit accounts on the FIS IMPACs application that is linked to Signet through an internal Omnibus account. The account is utilized to convert money from the customer's existing deposit account from USD to Signet, when the customer adds funds to their Signet wallet. A Signet transaction cannot be entered without an open deposit account and with enough funds to complete the transaction within the Signet wallet (i.e. there cannot be any Signet overdrafts – the transaction would be cancelled). The engagement team performed a walkthrough of a new account opening, from initiation to recording, including Signet, as part of the Deposit Process Understanding per PPL 19-004 at w/p reference 2.11.DP-.1.0000.

Based on this information and our risk assessments, the engagement team has determined that the Signet application is not considered in-scope for the audit. Signet is not considered relevant based on the fact that any transaction request initiated by a customer does not become an accounting transaction until it reaches FIS IMPACs (to process on the deposit account). KPMG further notes that if a transaction did not process from Signet to IMPACs, the transaction would be booked to the omnibus account on the general ledger. These transactions would then follow the same deposit clearing and reconciliation process through IMPACs as teller transactions. The deposit suspense reconciliation control was tested at 2.11.C-04 and 2.11.C-09.

Mobile Banking Deposit Processing

As part of the mobile application available to Signature customer, the FIS Mobile Banking is an integrated application which allows their customers to access their bank accounts including account balance inquiry, transaction inquiries, and remote deposits.

Mobile Banking Deposit Transaction Types: Check deposit, deposit transfer between WSFS accounts, loan payments, and bill payments.

Understanding of the Mobile Banking Application: KPMG did not deem this application to be in scope as mobile deposits are made through check only. However, the engagement team inspected the FIS Mobile Banking SOC1 and noted the following.

- "The Mobile Banking application allows users access to their bank accounts at their financial institution and provides the following functions: Account Balances, Transaction Inquiries, Make and Viewing Bill Payments, Remote Deposit, Person to Person Payments, Search for Branch/ATM locations, Cardless Cash Withdraws from ATM, PayPal Account Linking, eGifts, and Card Controls."(WP Ref: FIS Mobile SOC, p. 16)
- "The Mobile Banking application allows customers to connect to several different FIS online banking and core applications. While connecting to these core systems, the Mobile Banking Hub serves as a pass through to these systems. Services, such as balance inquiries, are services that

already exist on these core systems and the Mobile Banking application offers a new platform (mobile phone) to present them." (WP: FIS Mobile SOC1 page 16)

- "Customer authenticates to the mobile banking application using a valid user name, passwords, passcodes, and authentication questions." (WP Ref: FIS Mobile SOC1, Controls 1.1 to 1.5, p. 27). Additionally, WSFS required manual acceptance of remote deposits totaling over $1,500.

Engagement Team's Assessment on Mobile Banking Application: Through inspection of the SOC1 and discussions with Signature, the engagement team determined that the mobile application is a pass through and that transaction processing is completed on the FIS IMPACs and Savings/Time applications. Considering this, the engagement team has determined that the mobile banking application is not considered in-scope for the audit. Mobile banking is not considered relevant based on the fact that any transaction request initiated by a customer does not become an accounting transaction until it reaches FIS IMPACs or Savings/Time (to process on the deposit account). KPMG further notes that testing over the processing of transactions from mobile banking to the applications is included within the Technology Center SOC1, Control Objective 4. Therefore, the processing on the in-scope applications (i.e. a transaction is received, the Control-M job processes, the deposit is posted to the customer's account) is tested within the FIS Technology Center SOC1.

ACH Deposit Processing

ACH Deposit Transaction Types: KPMG noted that there are two types of ACH transactions that are processed by Signature, in-bound and out-bound ACH. The primary difference between these two types is that an out-bound transaction has funds leave a customer's account (versus receiving funds) and an out-bound ACH may be held for processing to a later date. For example, the customer may enter the transaction on the 1st of the month and request that the payment be processed on the 15th. ACH files are the standard files received from or sent to the Federal Reserve on a daily basis. All ACH transactions are automatically processed if there are no exceptions. For ACH transactions that contain exceptions (i.e. wrong account number) the ACH will not be posted and will be investigated by management during the cash suspense account reconciliation process. (2.11.C-04 and 2.11.C-09)

Understanding of the ACH Banking Application: KPMG notes that Signature utilizes Fiserv for ACH services. KPMG inspected the Fiserv Treasury Operations Solutions SOC1 to gain a further understanding of the ACH process. The Fiserv services are primarily related to formatting the applicable in-bound or out-bound files in order to facilitate processing on IMPACs or Savings/Time subledger. IT transmits posting files to IMPACS or Savings/Time and management reconciles any outstanding transactions in suspense. For out-bound transactions, FIS processes/formats the file for delivery to the Federal Reserve for processing.

Engagement Team's Assessment of ACH Processing: The engagement team considers ACH a relevant deposit channel and, as such, has scoped Fiserv in as a relevant front end system.

Wire Transfer Deposit Processing

The ET obtained an understanding of the process over wire transfers as part of the cash process area walkthrough. See PPL 19-004 at 2.11.C-.1.0030 for the walkthrough documentation over incoming and outgoing wires and see 2.11.C-.1.0010 for the Cash flowchart depicting the incoming and outgoing wire process. Signature uses Finastra PAYplus USA System (formerly GFX) as their wire transfer system. The engagement team identified this to be in-scope for the audit and tested relevant GITCs as well as the relevant CUECs specified in the Finastra SOC1 report (2.9.8.13). Additionally, the engagement team identified an application control associated with Finastra PayPlus at 2.11.C-03.

Files are imported from Finastra to IMPACs or Savings/Time by IT. The system processing of these imports is tested within Control Objective 4 in the FIS Technology Centers GCC SOC1 Report (WP Ref: FIS Technology Center SOC1, p 60). Control Objective 4 includes system process at the technology centers is executed in a complete, accurate, and timely manner and that deviations, problems, and errors are identified, tracked and resolved. The controls within this objective include successful completion of key tasks and scheduled jobs.

Conclusion

The engagement team's consideration of risks within Signature's deposit transaction application process have been appropriately considered and the likely sources of potential misstatements that would cause the financial statements to be materially misstated have been identified. Based on the above analysis and our understanding of the analysis, the PRPs addressing RMM 1.1 and 1.2 from ASC 405 exists within the core deposit systems where the transaction is processed; no PRP exists in the out-of-scope applications noted above as they are considered pass-through applications. The PRPs identified in the core banking system related to RMM 1.1 and RMM 1.2 of ASC 405 were responded to in the Deposit RAAR at 2.11.DP-.1.0030.

KPMG Internal Communication
KPMG-SBNY-PSI-0000041180

Short Message Report

Conversations: 1	Participants: 2
Total Messages: 66	Date Range: 3/10/2023

Outline of Conversations

Auditor 1 [redacted] ([redacted]@KPMG.com); Auditor 2 [redacted]@KPMG.com) • 66 messages on 3/10/2023 • Auditor 2 [redacted]@KPMG.com) • Auditor 1 [redacted] ([redacted]@KPMG.com)

Messages in chronological order (times are shown in GMT +00:00)

Auditor 1 [redacted]@KPMG.com); Auditor 2 [redacted]@KPMG.com)

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:07 PM
nothing like Joey D's net worth taking a 20% swan dive

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 6:08 PM
i know .. someone should check on him and see if hes okay with 16 mm instead of 20

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 6:08 PM
i could take a couple mil off his hands if he needs

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:08 PM
i can't believe silvergate is shuttering

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 6:08 PM
i know..

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 6:08 PM
svb is just done

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:09 PM
and SVB needs to sell $21 billion in securities at a $1.8 billion loss

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:09 PM
big oooooooffff

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 6:10 PM
does the firm get anymore work on that or....

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:12 PM
idk

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:12 PM
tough break

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:12 PM
gambling on crypto

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:12 PM
what could go wrong?

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 6:12 PM
sbny kinda played themselves on this

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 6:12 PM
overinflated their crypto involvement to sound cool

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:12 PM
they're collateral damage

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:13 PM
true, they attached themselves to it for the ascend

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:13 PM
and wonder why they're crumbling as the floor drops out

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 6:13 PM

!\[Dont Play Yourself I Love You GIF by Music Choice \(GIF Image\)](https://media4.giphy.com/media/26gJAtomwbJx4MLok/giphy.gif?cid=de9bf95ehn1c4t6983enmnqq7wpr8gybne32vuugzkowpo77&rid=giphy.gif&ct=g)

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 6:13 PM
@joeyd

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:13 PM
maybe we can hire him back here as a senior manager at KPMG

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:14 PM
he might need a steady source of income after this

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 6:14 PM
HAHAHA boy do we have an opportunity for you

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:14 PM
we will pull the old switcheroo and he can be lead SM for the SBNY engagement

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:14 PM
and then SBNY can do an independence analysis on their end to make sure there are no issues.

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 6:14 PM
lmao him and mike together would be lethal

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:15 PM
lmao Joe goes to Wyremski asking for PBC

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:15 PM
Steve would lay an egg

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 6:15 PM
lmaoooo

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:15 PM
Joe knows where all the bodies are buried

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:15 PM
our audit would be so targeted

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 6:16 PM
he probs burried a few himself tbh

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:16 PM
10000%

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 6:16 PM

theyve always retained staff there through stock comp so this will be interesting

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:16 PM

im waiting for the linkedin post of [redacted] taking a position at Amalgamated lmao

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:16 PM

jumping ship

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 6:16 PM

guess whos back

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:17 PM

i should send [redacted] a text and ask him how morale is looking today in the office

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:17 PM

wonder if they started lighting metal trash can fires in the office to keep warm

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 6:19 PM

the question on mikes mind.. is this gonna help us with fee negotiations or hurt us

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:19 PM

good point

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:19 PM

he's gonna get bamboozled into taking a pay cut

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 6:19 PM

HOW

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 6:19 PM

our hours went up this year so much

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 6:20 PM

per form ap

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 6:20 PM

and then have [redacted] pitch it to the team in the form of "needing to leverage our efficiencies"

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 6:21 PM

very interesting times

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 8:06 PM

[redacted]

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 8:06 PM

i just opened a kit kat

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 8:06 PM

and there is no wafer in it

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 8:06 PM

just chocolate

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 8:07 PM

solid chocolate

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 8:07 PM

`![Steve Brule Confusion GIF \(GIF Image\)](https://media0.giphy.com/media/guSDEekNFb23C/giphy.gif?cid=de9bf95e0s0llmge8sx7rouy8tljvizgyufzct8i3fvx1g6v&rid=giphy.gif&ct=g)`

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 8:07 PM

how is that possible

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 8:07 PM

BOTH HALVES

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 8:08 PM

I need to speak with a manager

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 8:08 PM
can you give me the 1-800 number

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 8:08 PM
this is blasphemous

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 8:09 PM
im shook

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 8:09 PM
never seen anything like this

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 11:08 PM
You good homes?

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 11:09 PM
Ya why?

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 11:09 PM
You were green just checking in

[redacted] Auditor 1 [redacted]@KPMG.com) 3/10/2023, 11:09 PM
Have a goooood weekend

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 11:09 PM
Lol on my phone answering back to one of my associates

[redacted] Auditor 2 [redacted]@KPMG.com) 3/10/2023, 11:09 PM
Have a stellar weekend too!!

SBNY Deficiency Letter to Board of Directors
KPMG-SBNY-PSI-WP-0000001185

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

March 1, 2023

Joseph J. DePaolo
Signature Bank
New York, New York

Dear Mr. DePaolo:

In planning and performing our audit of the consolidated financial statements of Signature Bank (the Company) as of December 31, 2022, and for the year then ended, we considered internal control over financial reporting (internal control) in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements. In conjunction with our audit of the consolidated financial statements, we also performed an audit of internal control in accordance with Public Company Accounting Oversight Board (United States) (PCAOB) AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with an Audit of Financial Statements.*

Pursuant to the standards of the PCAOB, we are required to communicate all deficiencies, significant deficiencies, and material weaknesses in internal control, identified during the audit of internal control, to management. In addition, we are required to communicate all such significant deficiencies and material weaknesses to the Examining Committee.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control, that is less severe than a material weakness yet important enough to merit attention by those responsible for oversight of the Company's financial reporting. In connection with our audit of the consolidated financial statements and our audit of internal controls of the Company, we noted the below deficiencies. Individually, these deficiencies were not considered to be significant deficiencies but given that these deficiencies all related to the Bank's investment portfolio, we believed that in aggregate, they merited discussion with the Examining Committee, and as such we considered these deficiencies to rise to the level of a significant deficiency. The deficiencies described below are not believed to be a material weakness and all deficiencies were remediated by year-end.

IPV Control

Explanations on investment positions breaching thresholds were not sufficient and consideration of adjusting prices to secondary source was not adequately documented.

Custodian Reconciliation

Differences above management's predetermined threshold were not investigated and resolved.

Investment Suspense Account Reconciliation

Certain aged positions were not investigated and resolved.

Mark to Market report

Prices used by the control operator were not completely and accurately pulled from a respective primary and secondary source (e.g. IDC / Reuters / BVAL) leading to certain Level 2 positions not being priced by a secondary source.

In connection with our audit of the consolidated financial statements and our audit of internal controls of the Company, we also have identified the following deficiency in internal control. The deficiency described below is not believed to be a material weakness or significant deficiency.

Completeness and Accuracy of Borrower Property Data Input into nCino

A data element approved within nCino did not agree to source documentation leading to an inaccurate configuration of the DSCR.

This communication is intended solely for the information and use of Board of Directors, Examining Committee, management, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

Email Between Signature Bank and KPMG
KPMG-SBNY-PSI-0000023678

Message

From: Signature Bank [redacted]@signatureNY.com]
Sent: 2/7/2023 7:30:22 PM
To: KPMG [redacted]@KPMG.com]; Signature Bank [redacted]signatureNY.com]
CC: KPMG [redacted]@KPMG.com]; KPMG [redacted]@kpmg.com]; [redacted] Signature Bank [redacted]@signatureny.com]; Howell, Eric [[redacted]@signatureNY.com]
Subject: [EXTERNAL] RE: SBA Follow Up Questions

KPMG

We certainly have been more than happy to provide you documentation and answers to your questions but I feel that we have provided you with everything we can at this point to give you an understanding of our business and process.

We are currently very busy generating new business and profit for Signature and feel this has become very difficult to keep up this level of inquiry.

I'd be happy to get a call with you to clear up some of the continued confusion or understanding.

Best Regards,

Signature Bank [redacted] | *SVP -* [redacted]
Signature Bank, A Representative Office
9 Greenway Plaza Suite 3120 Houston TX 77046
[redacted]

SIGNATURE BANK®
Looking Forward. Giving Back.

SIGNATURE
SECURITIES

From: KPMG [redacted]@KPMG.com>
Sent: Tuesday, February 7, 2023 1:22 PM
To: Signature Bank [redacted]@signatureNY.com>; Signature Bank [redacted]@signatureNY.com>
Cc: KPMG [redacted]@KPMG.com>; KPMG [redacted]@kpmg.com>; [redacted]

Signature Bank@signatureny.com>
Subject: SBA Follow Up Questions

ATTENTION: This message was sent by an external sender. Do not open attachments or click on links from unknown senders or unexpected emails. Sender: [redacted]@KPMG.com

Good Afternoon Signature Bank

I was wondering if you could assist with the following items:

- How do you get comfort with the premium/discount amortization balances? Is there a way to see these balances at state street?
- Do you maintain a schedule for the year that shows how you start at 2021 year end and arrive at year end balances for 2022 SBA Trading/AFS Pool principal balances, and IO Strip balances?
- Where are the I/O strips custodied. Do the strips have CUSIPs?
- For the following IO Strips, can you provide the I/O Strip Document that we may inspect?
  - Short term
  - 2020
  - 2021
  - 2022

This might be easier to discuss on a call. May we schedule some time this week to meet on Webex? Thank you!

Regards,
KPMG
Associate, Audit, NYFS
KPMG LLP | 345 Park Avenue | New York, NY 10154
[redacted]

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Communications Between Signature Bank and KPMG

KPMG-SBNY-PSI-0000035293

Message

From: KPMG [redacted]@kpmg.com]
Sent: 1/31/2023 7:17:18 PM
To: Keehlwetter, Michael [[redacted]@kpmg.com]
Subject: FW: Outstanding PBC Requests as of Noon 1/27/23

Mike, getting some push back from Stephen on the below. Nothing new in what he sent over. Should we set-up a quick call for Friday this week to talk about general status/update and can bring it up then?

Regards,
KPMG [redacted]

From: Wyremski, Stephen <[redacted]@signatureNY.com>
Sent: Tuesday, January 31, 2023 7:43 AM
To: KPMG [redacted]@kpmg.com>
Subject: [EXTERNAL] RE: Outstanding PBC Requests as of Noon 1/27/23

I understand the concept as I've had to deal with these situations a number of times, write memos, etc.

I'm just struggling with it in this instance. We're talking about balance sheet gross up impact only given there is no credit/reserve impact based on our security types we hold. Because we're dealing primarily with agencies that are very observable/frequently traded, I don't know how you rationally can ever get to material even if we didn't have any secondary prices (and that's forgetting about the compensating controls we have). It's highly unlikely the predominance of our portfolio is ever outside of the range. I believe we're overthinking this.

From: KPMG [redacted]@kpmg.com>
Sent: Monday, January 30, 2023 8:41 PM
To: Wyremski, Stephen <[redacted]@signatureNY.com>
Subject: RE: Outstanding PBC Requests as of Noon 1/27/23

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Thanks!

For the IPV deficiency we are sorted for EC purposes but the objective here is to ensure we have robust documentation and have considered all factors in case someone external looks at it and challenges the conclusion; particularly as IPV is the key control as it relates to valuation. If you can help provide some thoughts (bullets are fine) that are focused on putting a ceiling to what an error could have been along with any compensating / mitigation controls that you have in place it would help ensure we've captured all we can.

We had spoken about this in late November and attaching what I sent over previously to the extent it may be helpful but I'd say the two items above (ceiling on error potential as well as any compensating/mitigating controls) are most key/helpful in rounding the documentation up.

Regards,
KPMG [redacted]

From: Wyremski, Stephen <[redacted]@signatureNY.com>
Sent: Monday, January 30, 2023 6:33 PM
To: KPMG [redacted]@kpmg.com>
Subject: [EXTERNAL] RE: Outstanding PBC Requests as of Noon 1/27/23

Just sent the maturity gap information to [redacted] to post – so you should see tonight/tomorrow AM. I'll see what I can get on the eFunds item.

For the IPV deficiency severity – you want a write-up for a deficiency that was already communicated to the Examining Committee on back in November and, presumably, is remediated? I'm not sure I fully understand the value of that. I can certainly give you bullets, but a full write up on something communicated and hopefully remediated upon your testing appears odd. Is there an issue you've found with the 4Q testing?

Thanks.

From: KPMG [redacted]@kpmg.com>
Sent: Monday, January 30, 2023 1:57 PM
To: Wyremski, Stephen <[redacted]@signatureNY.com>
Subject: RE: Outstanding PBC Requests as of Noon 1/27/23

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Steve, really appreciate you getting back to us so quickly. Please see some responses in-line.

As always, if easier, you can always give me a call at [redacted].

Regards,
KPMG [redacted]

From: Wyremski, Stephen <[redacted]@signatureNY.com>
Sent: Monday, January 30, 2023 12:18 PM
To: KPMG [redacted]@kpmg.com>
Subject: [EXTERNAL] RE: Outstanding PBC Requests as of Noon 1/27/23

KPMG [redacted]

Took a look and a few things:
- Not sure I fully understand the Efunds item from the narrative there, so need some background before I follow up.
- ***[KPMG]*** SOX [redacted] and management ([redacted]) had a call this morning to get on the same page and we should have this by the end of the week but for your reference the request is:
  - For the samples as shown in the below table, we require:
  - Nature of the suspense item
  - Date suspense item cleared
  - # of Days to Clear Reconciling item
  - How did it clear and the relevant supporting documentation (this will be driven by the nature of the break)

Sample #	Account #	Date	Amount
11	[redacted]	2/3/2022	342,405.63
12	[redacted]	3/1/2022	31,095.95

14	[redacted]		5/9/2022	1,316,158.19
15	[redacted]		6/6/2022	19,543.00
16	[redacted]		7/12/2022	21,907.00
17	[redacted]		9/8/2022	410,653.34
18	[redacted]		12/30/2022	226,743.89

- I'll get you the ACL policy this week, we're tweaking a few items based on my review. Delay is all on my end to re-review given team shifts that have occurred.

[KPMG] Totally understand and thank you!

- Regarding the DSC Maturity gap information – was planning for this to be addressed in our ACL memo that should be delivered later this week/early next, but are you expecting something different? We can get you the 4Q22 evidence of control operating. That's available - and was just sending an email to Signature Bank this AM to put a bow on it.

[KPMG] The ACL memo should be enough if documented in enough detail. Yes, if you can please share the evidence of the control operating as soon as possible so we can proceed with sampling and involve our specialists as well. Should we reach out to [redacted] for this directly?

- Appraisal you should have today. Signature Bank said he sent earlier this AM, actually.

[KPMG] Confirmed, he uploaded a listing of items into the portal this a.m.; I will review this and get back to him to the extent there are any follow-ups this week. Appreciate your help with this!

- Some of the others you list (where I'm the owner) just aren't a focus. Will handle them, but need to prioritize (24/25).

[KPMG] Totally understand- likely evident but between the two, the deficiency analysis would be higher on the priority list. Let me know if I can help in any way.

Steve

From: KPMG [redacted]@kpmg.com>
Sent: Monday, January 30, 2023 9:30 AM
To: Wyremski, Stephen <[redacted]@signatureNY.com>
Subject: Outstanding PBC Requests as of Noon 1/27/23

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Good Morning Steve, I hope you had a pleasant weekend. In order to provide you the greatest insight and to help us stay on target for report issuance, please find attached all open PBC items as of noon 1/27/23 (this past Friday).

We have notated items that require escalation/prompt attention within. To the extent possible, if you can please send a nudge to individuals for these open requests it would be most helpful and very much appreciated.

Please let me know if you have any questions and thank you for your help.

Dashboard:

Open PBCs by person	
Row Labels	**Count of Description of Deliverables**
[redacted]@signatureNY.com	1
[redacted]@signatureNY.com	2

[redacted] [redacted]@signatureny.com	10
[redacted] [redacted]@signatureny.com	5
Signature Bank (who reached out to specific loan officers regarding our specialists' questions). Signature Bank and [redacted] team on RF inquiries.	1
[redacted] [redacted]@signatureNY.com	2
[redacted] [redacted]@SignatureNY.com	1
[redacted] [redacted]@signatureNY.com	2
[redacted] [redacted]@signatureNY.com [redacted] [redacted]@sigmatureNY.com	1
[redacted]@signatureNY.com	2
[redacted] [redacted]@signatureNY.com	7
[redacted]	1
[redacted] [redacted]@signatureny.com	6
[redacted] [redacted]@signatureNY.com	7
[redacted]@signatureNY.com	1
[redacted]@signatureNY.com	1
Multiple	2
Grand Total	**52**

Regards,
[redacted]

NYFS Audit Senior Manager
KPMG LLP | 345 Park Avenue, New York, NY 10154
[redacted]

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KPMG Internal Communications
KPMG-SBNY-PSI-0000037381

Short Message Report

Conversations: 1	Participants: 2
Total Messages: 41	Date Range: 2/19/2023

Outline of Conversations

Keehlwetter, Michael ([redacted]@kpmg.com); Auditor 2 [redacted]@kpmg.com)
• 41 messages on 2/19/2023 • Keehlwetter, Michael ([redacted]@kpmg.com) • [redacted]@kpmg.com)

Messages in chronological order (times are shown in GMT +00:00)

Keehlwetter, Michael ([redacted]@kpmg.com); Auditor 2 [redacted]@kpmg.com)

M **Keehlwetter, Michael ([redacted]@kpmg.com)** 2/19/2023, 7:41 PM

I know you are juggling many balls, so please feel free to ask [redacted] or [redacted] to help, but let's ensure we get [redacted] all screens here needs, here are a couple that I'm sure he'll detail review

`![image](https://us-api.asm.skype.com/v1/objects/0-eus-d6-c948ed52e2089c4889aa047740883ccc/views/imgo)`

Image: 0-eus-d6-c948ed52e2089c4889aa047740883ccc.png (27 KB)

[redacted] **Auditor 2 [redacted]@kpmg.com)** 2/19/2023, 7:42 PM

`![image](https://us-api.asm.skype.com/v1/objects/0-eus-d8-baff63d513c63b21c1b138114200c68a/views/imgo)`

I didn't quite follow this – did you?

Regards
[redacted]

From: Wyremski, Stephen <[redacted]signatureNY.com>
Sent: Saturday, February 18, 2023 3:23 PM
To: [redacted]@kpmg.com>
Subject: [EXTERNAL] RE: KPMG & SBNY Weekly Catch-up

[redacted] for the loan sales. The two were all marked down to sale, or if higher, if value not lower.

From: [redacted]@kpmg.com>
Date: Saturday, Feb 18, 2023 at 2:43 PM
To: Wyremski, Stephen <[redacted]signatureNY.com>
Subject: RE: KPMG & SBNY Weekly Catch-up

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Hi Steve, the tentative items are as follows:

1. **Loan classification item:** we are pending the loans sale price and where the mark was booked from
2. **Bonus over accrual:** $4.8mm
3. **Pricing:** We were able to resolve the difference relating to the CUSIP we discussed earlier but have have an answer for you by Monday.

Image: 0-eus-d8-baff63d513c63b21c1b138114200c68a.png (41 KB)

[redacted] **Auditor 2 [redacted]@kpmg.com)** 2/19/2023, 7:43 PM

I asked [redacted] but haven't heard back - based on Steve's response am I missing something? No matter where they were marked I think we need to know the gain/loss and where it was booked to come up with the correcting entries

[redacted] **Auditor 2 [redacted]@kpmg.com)** 2/19/2023, 8:31 PM

do you know how this is generated? Is this something I can do on your behalf?

![image](https://us-api.asm.skype.com/v1/objects/0-eus-d18-8f9bec9c7ba7554d21a90be90f61c888/views/imgo)


From: [redacted]@kpmg.com <[redacted]@kpmg.com>
Sent: Monday, January 24, 2022 5:43 PM
To: Keehlwetter, Michael <[redacted]@kpmg.com>
Subject: Sentinel Entity Management Tool Confirmation - Completed

Sentinel Entity Management Compliance Confirmation

Thank you for completing the update of your Sentinel Entity Management data and submitting your confirmation for this. The confirmation has been received with respect to the following clients:

Signature Bank

Please retain this email as evidence of receipt of the Confirmation.

Image: 0-eus-d18-8f9bec9c7ba7554d21a90be90f61c888.png (152 KB)

[redacted] Auditor 2 [redacted]@kpmg.com) 2/19/2023, 8:31 PM
I was going to e-mail the mailbox but it does not accept incoming e-mails

M Keehlwetter, Michael ([redacted]@kpmg.com) 2/19/2023, 8:32 PM
I would love that! Can't remember how it works, but I know I went in and did the confirmation, I think that I get an email prompting me to do it

[redacted] Auditor 2 [redacted]@kpmg.com) 2/19/2023, 8:33 PM
okay, let me see if I can find out

[redacted] Keehlwetter, Michael ([redacted]@kpmg.com) 2/19/2023, 8:33 PM
does this need done now? Or can we do after 3/1?

[redacted]@kpmg.com) 2/19/2023, 8:34 PM
we can wait

[redacted] Auditor 2 [redacted]@kpmg.com) 2/19/2023, 8:34 PM
but figured it would be a quick hit

[redacted]@kpmg.com) 2/19/2023, 8:36 PM
Are you okay with this:

![image](https://us-
api.asm.skype.com/v1/objects/0-eus-d8-8ed9a0a7f7298f16d1dceb59d1ef117e/views/imgo)

Uncorrected audit misstatements

[redacted] please confirm this list is consistent with what you have. Also, based on your e-mail reply, the loans were already booked LOCOMiso no PnL impact

$(Thousands)

Description of misstatement	Iron curtain	Rollover – year to date	Rollover – quarter to date
4Q22 – Entry to correct the overstatement of the Company's 2022 bonus accrual	$1,019	$1,019	$1,019
Total	[illegible]	[illegible]	[illegible]
Net income (loss)	[illegible]	[illegible]	[illegible]
Percentage	[illegible]	[illegible]	[illegible]

Image: 0-eus-d8-8ed9a0a7f7298f16d1dceb59d1ef117e.png (61 KB)

M **Keehlwetter, Michael ([redacted]@kpmg.com)** 2/19/2023, 8:37 PM

two things

M **Keehlwetter, Michael ([redacted]@kpmg.com)** 2/19/2023, 8:37 PM

in the footnote for the Loans HFS, I would add the words "balance sheet' before "classification"

M **Keehlwetter, Michael [redacted]@kpmg.com)** 2/19/2023, 8:38 PM

in the note to [redacted] I would confirm that the loans were adjusted to LOCOM through the ACL as of 12/31 and therefore our adjusting entry is BS only

[redacted] **Auditor 2 [redacted]@kpmg.com)** 2/19/2023, 8:38 PM

done

M **Keehlwetter, Michael [redacted]@kpmg.com)** 2/19/2023, 9:22 PM

do you know if the RAS memo on Moody IS is uploaded? That has to go to [redacted] so would be good to get it in his queue

[redacted] **Auditor 2 [redacted]@kpmg.com)** 2/19/2023, 9:22 PM

yes, it is

[redacted] **Auditor 2 [redacted]@kpmg.com)** 2/19/2023, 9:22 PM

let me link you to it

M **Keehlwetter, Michael ([redacted]@kpmg.com)** 2/19/2023, 9:23 PM

I found it

M **Keehlwetter, Michael ([redacted]@kpmg.com)** 2/19/2023, 9:23 PM

should we allocate to [redacted]

[redacted] Auditor 2 [redacted]@kpmg.com) 2/19/2023, 9:23 PM
I think the fraud risk only relates to the Trepp

[redacted] Auditor 2 [redacted]@kpmg.com) 2/19/2023, 9:24 PM
so tehcnically, do we have to?

M **Keehlwetter, Michael ([redacted]@kpmg.com)** 2/19/2023, 9:24 PM
Hmmm...not sure, good thought

M **Keehlwetter, Michael ([redacted]@kpmg.com)** 2/19/2023, 9:24 PM
It is still part of the Significant Risk....

[redacted] Auditor 2 [redacted]@kpmg.com) 2/19/2023, 9:24 PM
ah, yes, true

[redacted] Auditor 2 [redacted]@kpmg.com) 2/19/2023, 9:24 PM
we should add him then

[redacted] Auditor 2 [redacted]@kpmg.com) 2/19/2023, 9:24 PM
gah

M **Keehlwetter, Michael ([redacted]@kpmg.com)** 2/19/2023, 9:24 PM
I'll add him

[redacted] Auditor 2 [redacted]@kpmg.com) 2/19/2023, 9:25 PM
thank you!

[redacted] Auditor 2 [redacted]@kpmg.com) 2/19/2023, 11:02 PM
Are you good with the DSC approach

[redacted] Auditor 2 [redacted]@kpmg.com) 2/19/2023, 11:02 PM
was hoping to get that out before Monday

M **Keehlwetter, Michael ([redacted]@kpmg.com)** 2/19/2023, 11:11 PM
we note that we want to inquire of Steve, but not sure we need to note that, as I think we want to discuss loans, some briefly, with both Steve and [redacted]

M Keehlwetter, Michael [redacted]@kpmg.com) 2/19/2023, 11:11 PM

Yes, send out the request

[redacted] Auditor 2 [redacted]@kpmg.com) 2/19/2023, 11:13 PM

Also, going to send you the def letter

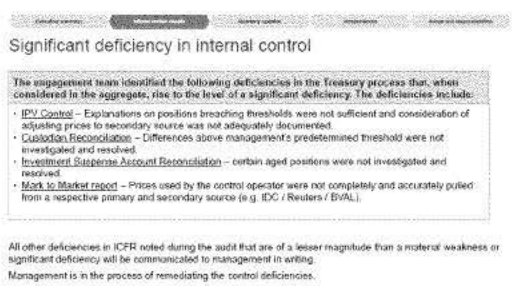
[redacted] Auditor 2 [redacted]@kpmg.com) 2/19/2023, 11:14 PM

I don't quite understand the IT def. (feel like one isn't really a def. and seems like there may be 1 def that's separated into 2) so that's an open item to the extent these weren't arleady discussed with you way back when they were identified

[redacted] Auditor 2 [redacted]@kpmg.com) 2/19/2023, 11:55 PM

I did not append that INV def. as part of the SD because it was not in our original communications for the SD:

![image](https://us-api.asm.skype.com/v1/objects/0-eus-d5-c6b14b72b377cab0baf64c707f474f32/views/imgo)



Significant deficiency in internal control

The engagement team identified the following deficiencies in the Treasury process that, when considered in the aggregate, rise to the level of a significant deficiency. The deficiencies include:

- IPV Control – Explanations on positions breaching thresholds were not sufficient and consideration of adjusting prices to secondary source was not adequately documented.
- Custodian Reconciliation – Differences above management's predetermined threshold were not investigated and resolved.
- Investment Suspense Account Reconciliation – certain aged positions were not investigated and resolved.
- Mark to Market report – Prices used by the control operator were not completely and accurately pulled from a respective primary and secondary source (e.g. IDC / Reuters / BVAL).

All other deficiencies in ICFR noted during the audit that are of a lesser magnitude than a material weakness or significant deficiency will be communicated to management in writing.

Management is in the process of remediating the control deficiencies.

Image: 0-eus-d5-c6b14b72b377cab0baf64c707f474f32.png (63 KB)

M Keehlwetter, Michael ([redacted]@kpmg.com) 2/19/2023, 11:56 PM

hmmmm....I wonder why not? I remember Steve convincing us that one of our findings was not a deficiency but I didn't think it was this

[redacted] Auditor 2 [redacted]@kpmg.com) 2/19/2023, 11:57 PM

I wonder too- but don't think there's a way this would fall off given the underlying report used had a def.

[redacted] Auditor 2 [redacted]@kpmg.com) 2/19/2023, 11:57 PM

I'm thinking it was likely an after thought on our part

[redacted] Auditor 2 [redacted]@kpmg.com) 2/19/2023, 11:58 PM

(we communicated hte above deficiencies then when we went to test the leveling we realized it was also deficient but at that point the comms had already been made)

M **Keehlwetter, Michael ([redacted]@kpmg.com)** 2/19/2023, 11:58 PM

same root cause, don't know how it is not part of the SD, I think I would include

KPMG Internal Communication
KPMG-SBNY-PSI-WP-0000040438

Short Message Report

Conversations: 1	Participants: 2
Total Messages: 54	Date Range: 2/2/2023

Outline of Conversations

Auditor 1 [redacted].com); Auditor 2 [redacted]g.com) • 54 messages on 2/2/2023 • Auditor 1 [redacted]@KPMG.com) • Auditor 2 [redacted]@kpmg.com)

Messages in chronological order (times are shown in GMT +00:00)

Auditor 1 [redacted]@KPMG.com); Auditor 2 [redacted]@kpmg.com)

[redacted] Auditor 1 [redacted]@KPMG.com) 2/2/2023, 4:30 AM
damn no response on the PBC list

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 1:29 PM
🙁

[redacted] Auditor 1 [redacted]@KPMG.com) 2/2/2023, 2:47 PM
I'll check in with [redacted] and [redacted] separately again

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 2:49 PM
very worrisome that this is so difficult

[redacted] Auditor 1 [redacted]@KPMG.com) 2/2/2023, 3:18 PM
should we ask for an excel listing of all procedures and status?

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 3:18 PM
that might take a while to pull

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 3:18 PM
but it would make me feel a bit more comfortable

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 3:18 PM
although I did go through a decent amount earlier this week

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 4:19 PM
did we get a copy of the report or anything

[redacted] Auditor 1 [redacted]@KPMG.com) 2/2/2023, 4:19 PM
we have the [redacted] engagement letter- report hasn't been finalized

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 4:20 PM
we dropped to 86% complete 🙁

Auditor 2 [redacted]@kpmg.com) 2/2/2023, 4:22 PM
she def likes you lol

Auditor 1 [redacted]@KPMG.com) 2/2/2023, 4:26 PM
haha I let [redacted] do the challenging of her

Auditor 2 [redacted]@kpmg.com) 2/2/2023, 4:35 PM
I remember her losing her shit with me once

Auditor 2 [redacted]@kpmg.com) 2/2/2023, 4:36 PM
with [redacted] on the line

Auditor 2 [redacted]@kpmg.com) 2/2/2023, 4:36 PM
two years ago

Auditor 2 [redacted]@kpmg.com) 2/2/2023, 4:36 PM
she's hated me since

Auditor 2 [redacted]@kpmg.com) 2/2/2023, 4:36 PM
I'm going to miss Redacted - Other Client Information

Auditor 1 [redacted]@KPMG.com) 2/2/2023, 5:00 PM
> **Auditor 2 [redacted]*
>
> we dropped to 86% complete ☹

starting to review now- hopefully can bring it up a bit

Auditor 1 [redacted]@KPMG.com) 2/2/2023, 5:01 PM
> *Auditor 2 [redacted]
>
> I'm going to miss Redacted - Other Client Information

it's been good besides at least one big issue each year lol

Auditor 2 [redacted]@kpmg.com) 2/2/2023, 5:03 PM
at least they are responsive man

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 5:04 PM
signature has like SDs and they don't give AF

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 5:04 PM
just leave us holding the bag

[redacted] Auditor 1 [redacted]@KPMG.com) 2/2/2023, 5:04 PM
aggregate it to a MW lol

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 5:15 PM
KPMG - US AUDIT

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 5:15 PM
reserve looks rough here

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 5:15 PM
lots of stuff 100s of days aged

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 5:15 PM
was that just stuff we added later for auto reserve?

[redacted] Auditor 1 [redacted]@KPMG.com) 2/2/2023, 5:15 PM
nope [redacted] prepared scoping like 2 weeks ago...

[redacted] Auditor 1 [redacted]@KPMG.com) 2/2/2023, 7:57 PM
we got a major issue

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 9:03 PM
she put somthing on your calendar?

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 9:03 PM
I spoke to [redacted]

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 9:03 PM
to try to get an inventory of what she's working on

[redacted] Auditor 1 [redacted]@KPMG.com) 2/2/2023, 9:11 PM

she called me- there was no talking her out of it

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 9:12 PM
did she say why?

[redacted] Auditor 1 [redacted]@KPMG.com) 2/2/2023, 9:12 PM
I pushed but got nothing- just a mix of personal and work

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 10:36 PM
still so irked man

[redacted] Auditor 1 [redacted]@KPMG.com) 2/2/2023, 10:37 PM
I'm speechless lol

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 10:37 PM
Did [redacted] reach out to [redacted]?

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 10:37 PM
I think there's capacity in the system

[redacted] Auditor 1 [redacted]@KPMG.com) 2/2/2023, 10:37 PM
yeah he said a request has been put in

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 10:37 PM
so I don't think a fed resource is nec. the default

[redacted] Auditor 1 [redacted]@KPMG.com) 2/2/2023, 10:37 PM
hopefully we get someone

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 10:38 PM
we're going to have to!

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 10:38 PM
Redacted - Other Client Information files next week I think

[redacted] Auditor 1 [redacted]@KPMG.com) 2/2/2023, 10:38 PM
yeah and that probably puts the nail in the coffin for being done by the 22nd

lol

[redacted] Auditor 1 [redacted]@KPMG.com) 2/2/2023, 10:39 PM
unless [redacted] team wants to help us haha

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 10:39 PM
lol

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 10:39 PM
are they way ahead?

[redacted] Auditor 1 [redacted]@KPMG.com) 2/2/2023, 10:39 PM
they are 50% complete- I believe, but I thought [redacted] was saying they were looking to be done then

[redacted] Auditor 1 [redacted]@KPMG.com) 2/2/2023, 10:39 PM
so no clue

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 10:39 PM
ohh haha

[redacted] Auditor 2 [redacted]@kpmg.com) 2/2/2023, 10:40 PM
I wonder why [redacted] is offline

[redacted] Auditor 1 [redacted]@KPMG.com) 2/2/2023, 10:48 PM
probably baby duty and dinner lol

KPMG Internal Communication
KPMG-SBNY-PSI-0000038905

Short Message Report

Conversations: 1	Participants: 3
Total Messages: 161	Date Range: 3/1/2023

Outline of Conversations

Auditor 1 [redacted]@KPMG.com); Auditor 2 [redacted]@kpmg.com); Auditor 3 [redacted]@KPMG.com) • 161 messages on 3/1/2023 • [redacted]
([redacted]@KPMG.com) • [redacted]@KPMG.com) • [redacted]
([redacted]@kpmg.com)

Messages in chronological order (times are shown in GMT +00:00)

Auditor 1 [redacted]@KPMG.com); Auditor 2 [redacted]@kpmg.com);
Auditor 3 [redacted]@KPMG.com)

Auditor 2 [redacted] 3/1/2023, 4:48 AM

I'm going to send the opinions for finalizing/publishing

Auditor 3 [redacted] 3/1/2023, 4:49 AM

`![Explode Gold Rush GIF by Discovery \(GIF Image\)](https://media4.giphy.com/media/lJJZiZ3CvEaxLgBEkD/giphy.gif?cid=de9bf95e086xgibuaa1qd3dhf1i41uhs46med72tmsizds4h&rid=giphy.gif&ct=g)`

Auditor 2 [redacted]@kpmg.com) 3/1/2023, 6:54 AM

how's it looking?

Auditor 1 [redacted]@KPMG.com) 3/1/2023, 6:54 AM

idk i cant see

Auditor 2 [redacted]@kpmg.com) 3/1/2023, 6:54 AM

investments was a complete mess

Auditor 1 [redacted]@KPMG.com) 3/1/2023, 6:54 AM

which part

Auditor 2 [redacted]@kpmg.com) 3/1/2023, 6:54 AM

tried my best fixing it up

Auditor 2 [redacted]@kpmg.com) 3/1/2023, 6:55 AM

but it was whoa..

Auditor 3 [redacted]@KPMG.com) 3/1/2023, 6:55 AM

`![image](https://us-api.asm.skype.com/v1/objects/0-eus-d4-c44e31265ecc9c0763d730d166fa9a57/views/imgo)`

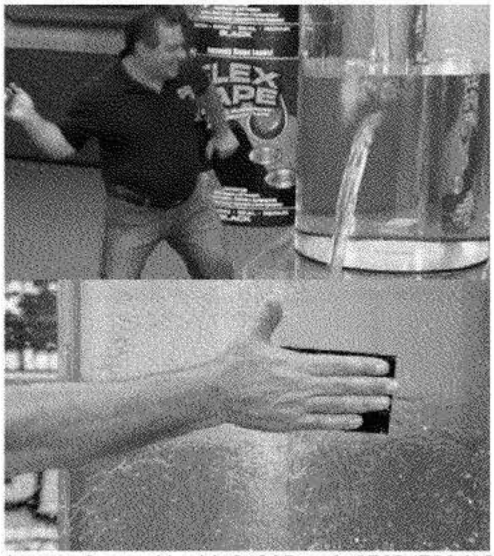


Image: 0-eus-d4-c44e31265ecc9c0763d730d166fa9a57.png (342 KB)

[redacted] **Auditor 2** [redacted]@kpmg.com) 3/1/2023, 6:55 AM

ROFLLL

[redacted] **Auditor 2** [redacted]@kpmg.com) 3/1/2023, 6:55 AM

that stuff is actually pretty good though

[redacted] **Auditor 3** [redacted]@KPMG.com) 3/1/2023, 6:55 AM

its unbelieve

[redacted] **Auditor 2** [redacted]@kpmg.com) 3/1/2023, 6:56 AM

I used it to coat these eyehooks on the top of my campervan

[redacted] **Auditor 2** [redacted]@kpmg.com) 3/1/2023, 6:56 AM

the eyehooks weren't rust proof

[redacted] **Auditor 2** [redacted]@kpmg.com) 3/1/2023, 6:56 AM

but the coating has kept it rust free for like 2 years now

[redacted] **Auditor 3** [redacted]@KPMG.com) 3/1/2023, 6:56 AM

ive used it for gutters

[redacted] **Auditor 3** [redacted]@KPMG.com) 3/1/2023, 6:56 AM

very handy material

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 6:56 AM

I don't know how you're still doing it [redacted]

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 6:57 AM

i need that to tape my eyelids up

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 6:57 AM

ROFL

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 6:57 AM

i feel pretty good right now

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 6:57 AM

O_o

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 6:57 AM

[redacted] just needs to wrap up the two ADC's and then tomorrow its just MK clearing comments

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 6:57 AM

i mean i feel good about the audit and where we at

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 6:58 AM

physically i feel like ive been hit by the bus that takes me to [redacted]

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 6:58 AM

Bank file my workload and comments are all but addressed and cleared

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 6:58 AM

i have one MK comment I wanna talk to him about but other than that, its looking good

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 6:58 AM

I've got one too

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 6:58 AM

on leveling

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 6:58 AM

and I think he's going to hand my ass to me

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 6:58 AM

when I talk to him about it

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 6:59 AM

only way out is through at this point

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:00 AM

in my defense the note and the workpaper both hit the file today

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:00 AM

it's on leveling stuff

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 7:00 AM

seems kind of out of your control

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:01 AM

+/- % Thresholds and greater than 100,000 (any one source) [redacted]omment
---
yes Just over 3%. Illiquid, small $100mm issuance/93mm outstanding. Floating rate/ callable Jr sub debt. Bval 5, Level 2. No direct comps. Indirect indicte a 3% bid/ask spread. yes
Primary source lower. Illiquid, small $50mm issuance. Fix/ Floating rate/ callable sub debt. Bval 1, Level 2. No direct comps. Spread used for primary inline with expection for this. yes
Primary source lower. Illiquid, small $50mm issuance. Fix/ Floating rate/ callable sub debt. Bval 1, Level 2. No direct comps. Spread used for primary inline with expection for this. yes
Illiquid $10mm issuance reverse inquiry structure, we own entire issue. Fix/ Floating rate with 4% cap. Bval 3, level 2. No direct comps, indirect include fixed rate bullets. Pricing diff range reasonable based on security structure yes
Illiquid $20mm issuance reverse inquiry structure, we own entire issue. Low rate step up cpn. Bval 1, level 2. No direct comps, indirect include fixed rate bullets. Pricing diff range reasonable based on security structure yes
2004 Bank Trust Preferred Issue. Illiquid small$ 50mm issue. One pricing source. Received Piper mark which results in market value delta of <$25k. Therefore primary is reasonable. yes
illiquid Reremic security that was created with underlying PO and IO. Only the IO remains as the PO paid off - immaterial position at $32k. No Bval price or comps. yes
3 prices. Odd lot, illiquid. Agency CMO longer duration busted Pac structure off of low gwac jumbo collateral. Slightest variance in speed/ spread can

result in big price diff. yes
Primary source lower. Illiquid, small $57mm issuance. Fix/ Floating rate/ callable sub debt. Bval 1, Level 2. No direct comps. Spread used for primary inline with expection for this. yes
Primary source lower. Illiquid, small $87mm issuance. Agency CMO support inv floater with 5.40% cap. Bond has extended. Slight speed/ spread variance can result in price diff. yes
Primary source lower. Illiquid, small $44mm issuance, 9mm remain on 2008 deal. Agency CMO support Z class. Bond has extended. Slight speed/ spread variance can result in price diff making range reasonable yes
Primary source lower. Illiquid, small 40mm issuance. Agency CMBS floater with a 4% Sofr Cap. Bond is capped out and extended. yes
Primary source lower. Illiquid, small 25mm issuance. Agency CMBS floater with a 4% Sofr Cap. Bond is capped out and extended. yes
Primary source lower. Agency CMBS floater with a 4% Sofr Cap. Bond is capped out and extended. yes
Primary source lower. Agency CMBS floater with a 4% Sofr Cap. Bond is capped out and extended. yes
Illiquid, small $10mm issuance, Agency CMO floater with 4% cap. Bond has extended. Slight speed/ spread variance can result in price diff yes
Illiquid $10mm issuance reverse inquiry structure, we own entire issue. Fix/ Floating rate with 4% cap. Bval 4, level 2. No direct comps, indirect include fixed rate bullets. Given spread volatility and rate path source price reasonable. yes
Bank floating rate subdebt issue. Illiquid small $35mm issue. One pricing source. Obtained Piper mark which results in <$35k value delta, therefore, primariy is reasonable. yes
Bank Subdebt Fix/ Float. Bval 1, level 2. No direct comps. Just over 3% variance, spread for primary reasonable.
yes Non Agency Cmo backed by reperforming collateral. Mezzanine class with 29% C/E. Illiquid class. DLR
yes Non Agency Cmo backed by reperforming collateral. Mezzanine class with 30% C/E. Illiquid class. Previously received dealer mark lower than either price. For quarter, delta is not material in total and no adjustment necessary. Will monitor prices received going forward to see if prices converge and will consider alternatives next quarter, if necessary. yes
Illiquid, small $69mm issuance. Fix/ Floating rate/ callable sub debt. Bval 1, Level 2. No direct comps. Spread used for primary more accurate. yes
Virginia Housing Bonds, muni backed by mortgages. Illiquid issue. Called in part. Three prices 3.8% and 4.25% variance. Given illiquidity range of pricing reasonable. yes
Priced by Stifel yes
Illiquid, $150mm issuance. Fix/ Floating rate/ callable sub debt. Bval 1, Level 2. No direct comps. Spread used for primary more accurate. yes
Illiquid, small $200mm issuance. Long duration Fix/ Floating rate callable sub debt. . Bval 1, Level 2. Indicative bids, no trades observed. Primary source lower. Spread for primary more accurate yes
Illiquid, small $11mm issuance reverse inquiry. Fix rate sr debt. . Bval 1, Level 2. Indicative bids, no trades observed. 3.2% variance. Primary lower and spread more accurate. yes
Illiquid, small $25mm issuance callable step up Agency bond. Bval 1, Level 2. Indicative bids, no trades observed. yes
Primary source lower. Illiquid, small $12mm issuance, 2012 deal. Agency CMO support inv floater with 6.85% cap. Bond has extended. Slight speed/ spread variance can result in price diff making range reasonable yes
Illiquid, small $21mm issuance, 2012 deal. Agency CMO Tac structure with supports burned off. Bond has extended. Slight speed/ spread variance can result in price diff making range reasonable yes
Primary source lower. Illiquid, small $7mm issuance. Agency CMO support. Bond has extended. Slight speed variance can result in price diff making range reasonable yes
Primary source lower. Fixed GO Muni bond. Bval 4, 2. No direct observations

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:01 AM

he was asking if any of that is contradictory evidence for something being deemed I2 (as opposed to I3)

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:01 AM

...lol...lol...lol...

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 7:02 AM

this ^^ was the straw that broke the back of [redacted] eyes

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 7:02 AM

she is now blind

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 7:02 AM

forever

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:02 AM

but how will she now live her audit dream?!

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 7:03 AM

collecting disability and never auditing again

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 7:03 AM

a new dream begins

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 7:13 AM

> *Auditor 3 [redacted]*
>
> this ^^ was the straw that broke the back of [redacted] eyes

i actually cannot see

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 7:14 AM

`![Eyes What GIF by Bounce \(GIF Image\)](https://media4.giphy.com/media/cP6G0uiTHCzMUdrdS1/giphy.gif?cid=de9bf95eyywnpwz8ujvs58ropbwlvvbvs1xvyc6zfe5khzjw&rid=giphy.gif&ct=g)`

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 7:22 AM

MK didn't sign the dockes in SSG so I can't even get my reports finalized

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 7:22 AM

smh

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:31 AM

this guy!

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 7:35 AM

I think I am tapping out

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 7:35 AM

i need some beauty sleep for the big day in 5 hours

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:36 AM

`![hungover](https://statics.teams.cdn.office.net//evergreen-assets/personal-expressions/v2/assets/emoticons//hungover/default/100_f.png?v=v25)`

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 2:20 PM

OMG

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 2:20 PM

LOL

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 2:21 PM

lmaoooooo

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 2:51 PM

can we get hte management letter processed as well [redacted]

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 2:51 PM

just sent the docket

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 2:51 PM

coming right up

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 3:51 PM

just ran a diagnostic

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 4:16 PM

final call

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 4:16 PM

my list is unchanged

[redacted] Auditor 2 [redacted]kpmg.com) 3/1/2023, 4:16 PM

![image](https://us-
api.asm.skype.com/v1/objects/0-eus-d19-2dfb139231f66d8f2e6d363117f1b8ad/views/imgo)

Image: 0-eus-d19-2dfb139231f66d8f2e6d363117f1b8ad.png (18 KB)

[redacted] Auditor 2 [redacted]kpmg.com) 3/1/2023, 4:17 PM

cool

[redacted] Auditor 2 [redacted]kpmg.com) 3/1/2023, 4:17 PM

sending this out now

[redacted] Auditor 1 [redacted]KPMG.com) 3/1/2023, 4:17 PM

ive called like everyone

[redacted] Auditor 1 [redacted]KPMG.com) 3/1/2023, 4:17 PM

WAIT

[redacted] Auditor 1 [redacted]KPMG.com) DELETED 3/1/2023, 4:17 PM

its [redacted]

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 4:17 PM

[redacted]**

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 4:17 PM

not [redacted]*

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 4:17 PM

haha

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 4:17 PM

I prolly new that was the case
`![tongueout](https://statics.teams.cdn.office.net/evergreen-assets/personal-expressions/v2/assets/emoticons/tongueout/default/20_f.png)`

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 4:18 PM

nbd either way since shes screwing us

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 4:19 PM

[redacted] just responded on the 3rd item

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 4:19 PM

said will be sent to us shortly

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 4:34 PM

What are we doing for the updated related party log

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 4:34 PM

what was the action item there?

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 4:34 PM

I think for me it was asking Steve for it

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 4:34 PM

ok cool

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 4:35 PM

and I think I have given you everything from Jobtrack

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 4:35 PM

yeah - dope!

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 4:44 PM

im gonna ask andrew for edgarized version

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 4:44 PM

yes!

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 4:54 PM

MK is in that chat!! Beware!!

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 4:54 PM

which one

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 4:54 PM

the one where you said lol I just got a new RN

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 4:59 PM

damn

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 4:59 PM

good catch

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 4:59 PM

but I was calling [redacted] out ;-x

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 4:59 PM

me?!

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 4:59 PM

oh ok

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 4:59 PM

i wasnt sure

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 4:59 PM

yeah, just pulling your leg for leaving me the legal rep comment

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 4:59 PM

haha

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 4:59 PM
i was performing my active monitoring control

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 4:59 PM
i did?

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 4:59 PM
its operating effectively

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 4:59 PM
you crack me up [redacted]

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 5:00 PM
you left me a comment lol

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 5:00 PM
shieet

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 5:00 PM
I'm losing it

[redacted] Auditor 1 [redacted]@KPMG.com) DELETED 3/1/2023, 6:04 PM
wait - were we supposed to draft a fdicia management assertion

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:00 PM
Only item I have pending is the fdicia management letter

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:00 PM
anything else/

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 7:00 PM
same for me

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:00 PM
asked Mike to clear one note

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 7:01 PM

kk i was just gonan do that so thanks

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:01 PM

outside of that I think we're good, right?

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:35 PM

no word, huh?

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 7:35 PM

nothing

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:35 PM

should we release hte staff

[redacted] Auditor 2 [redacted]kpmg.com) 3/1/2023, 7:36 PM

also, do we add the 1301 comms we send out into the file?

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:36 PM

> Auditor 1 [redacted]
>
> nothing

Want me to send a note to [redacted] and Steve

[redacted] Auditor 2 [redacted]kpmg.com) 3/1/2023, 7:36 PM

weird - figured it'd be a quick/easy sign

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 7:37 PM

joe is probs missing

[redacted] Auditor 2 [redacted]kpmg.com) 3/1/2023, 7:37 PM

oooo

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:44 PM

just sent [redacted] a chaser

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 7:49 PM

> *Auditor 2 [redacted]
>
> should we release hte staff

told them to get gone

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 7:49 PM

[redacted] so cute

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 7:49 PM

he was like dont i have to replace the fdicia assertion

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 7:49 PM

i was like i think o can handle it hahahah

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:56 PM

Auditor 3 [redacted] - let's just remember

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:56 PM

we do SSG first then close it out right away into the Sig Bank DRMS

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:56 PM

I know I will likely forget

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 7:56 PM

in the middle of closing out the file right now

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:56 PM

I'm running on 10% brain

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 7:56 PM

we are all done here

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:56 PM

DOPE

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:56 PM
must be nice

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:57 PM
living the [redacted] life

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 7:57 PM
WOOOOOOOOOOOOOOOOOOOOOOOOO

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:57 PM
I have no idea how you're still awake [redacted]

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 7:57 PM
insanee

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 7:59 PM
I don't know [redacted] anymore

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 8:02 PM
I think [redacted] knows her

[redacted] Auditor 1 [redacted]@KPMG.com) EDITED 3/1/2023, 8:03 PM
dw about the revx

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 8:03 PM
just make a copy [redacted]

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 8:37 PM
one quick thing [redacted]

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 8:37 PM
did you upload the file into DRMS?

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 8:37 PM
the SSG one?

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 8:38 PM
ret goes auto, but not in yet

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 8:38 PM
is the DRMS space shared for both SSG and signature?

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 8:38 PM
no its by engagement coded

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 8:38 PM
We were going to put the ssg file into signature

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 8:38 PM
I can add you as a delegate to SSG I believe

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 8:38 PM
to help support the commission revenue testing if push ever came to shove

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 8:38 PM
I have no idea how to add it

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 8:38 PM
lol

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 8:39 PM
but add me

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 8:39 PM
and I can figure it out

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 8:39 PM
technically we have two days to close

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 8:39 PM
so can do it then

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 8:39 PM
its more intuitive than you think

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 8:39 PM
ic an show you now if you want

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 8:39 PM
yes please

[redacted] Auditor 2 [redacted]@kpmg.com) 3/1/2023, 8:39 PM
haven't played with this new system at all

[redacted] Auditor 1 [redacted]@KPMG.com) EDITED 3/1/2023, 8:40 PM
its the same system - mew location

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 8:40 PM
call when you have it up

[redacted] Auditor 1 [redacted]@KPMG.com) 3/1/2023, 8:40 PM
new*

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 8:40 PM
I think you have access to this workspace

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 8:41 PM

![image](https://us-
api.asm.skype.com/v1/objects/0-eus-d19-2aaf62b1543975f4caf687038faab2e4/views/imgo)

Image: 0-eus-d19-2aaf62b1543975f4caf687038faab2e4.png (32 KB)

[redacted] Auditor 3 [redacted]@KPMG.com) 3/1/2023, 8:41 PM

both of you do

APPENDIX III

FRB Going Concern Analysis
KPMG-FRB-WP-0000044229

FIRST REPUBLIC BANK
It's a privilege to serve you®

MEMORANDUM - PBC #492

To: *First Republic Bank Files*
From: *Neal Holland*
Date: *May 9, 2023*
Re: *Q1 2023 Going Concern Considerations*

<u>Purpose:</u>
To document First Republic Bank's (the "Bank's") consideration of the Bank's ability to continue as a going concern within one year after the date the Bank's Q1 2023 consolidated financial statements on Form 10-Q are issued.

<u>Summary of Guidance:</u>
In accordance with Accounting Standards Codification ("ASC") 205-40, *Presentation of Financial Statements-Going Concern*, the Bank's management assesses whether there is substantial doubt of the Bank's ability to continue as a going concern within one year after the date financial statements are issued. If substantial doubt exists, disclosures are required of management's plans and whether these plans alleviate substantial doubt or not.

ASC 205-40
Per ASC 205-40-50-4, management shall evaluate whether relevant conditions and events, considered in the aggregate, indicate that it is probable that an entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. The evaluation initially shall not take into consideration the potential mitigating effect of management's plans that have not been fully implemented as of the date that the financial statements are issued (for example, plans to raise capital, borrow money, restructure debt, or dispose of an asset that have been approved but that have not been fully implemented as of the date that the financial statements are issued).

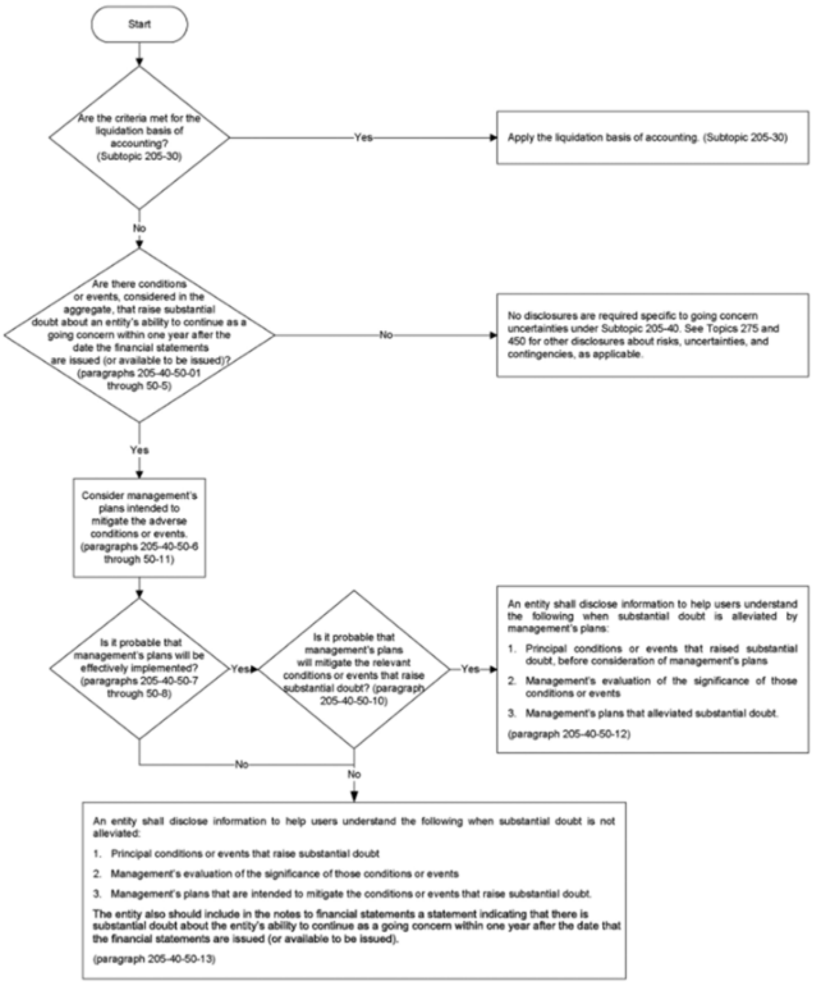
Further, per ASC 205-40-50-5, management shall consider quantitative and qualitative information about the following conditions and events, among other relevant conditions and events known and reasonably knowable at the date that the financial statements are issued:

a) The entity's current financial condition, including its liquidity sources at the date that the financial statements are issued (for example, available liquid funds and available access to credit);
b) The entity's conditional and unconditional obligations due or anticipated within one year after the date that the financial statements are issued (regardless of whether those obligations are recognized in the entity's financial statements);
c) The funds necessary to maintain the entity's operations considering its current financial condition, obligations, and other expected cash flows within one year after the date that the financial statements are issued;
d) The other conditions and events, when considered in conjunction with (a), (b), and (c) above that may adversely affect the entity's ability to meet its obligations within one year after the date that the financial statements are issued.

Per ASC 205-40-55-2, the following are examples of adverse conditions and events that may raise substantial doubt about an entity's ability to continue as a going concern:

a) Negative financial trends, for example, recurring operating losses, working capital deficiencies, negative cash flows from operating activities, and other adverse key financial ratios;
b) Other indications of possible financial difficulties, for example, default on loans or similar agreements, arrearages in dividends, denial of usual trade credit from suppliers, a need to restructure debt to avoid default, noncompliance with statutory capital requirements, and a need to seek new sources or methods of financing or to dispose of substantial assets;
c) Internal matters, for example, work stoppages or other labor difficulties, substantial dependence on the success of a particular project, uneconomic long-term commitments, and a need to significantly revise operations;
d) External matters, for example, legal proceedings, legislation, or similar matters that might jeopardize the entity's ability to operate; loss of a key franchise, license, or patent; loss of a principal customer or supplier; and an uninsured or underinsured catastrophe such as a hurricane, tornado, earthquake, or flood.

The following is a decision flowchart per ASC 205-40-55-1:



ASC 205-40 KPMG Interpretive Guidance

Per KPMG Interpretive Guidance 205-40-50-1 regarding management's assessment, "Required annual and interim going concern assessments that extend twelve months from the financial statement issuance date (or date the financial statements are available to be issued) result in the need for a rolling twelve month evaluation, updated at each reporting date. Consequently, entities need to maintain processes and controls to support the ongoing assessments.

"Like other periodic assessments required in GAAP (e.g., impairment, valuation allowance), the nature, extent, and documentation of the going concern assessment will depend on an entity's facts and circumstances. The implementation and ongoing cost and effort generally would be lower for financially healthy entities, as the Board acknowledged that the level of analysis for management's evaluation may vary depending on an entity's facts and circumstances. For example, a detailed analysis may not be necessary if an entity has a history of profitable operations, ready access to financial resources, and no significant near-term obligations in excess of its available liquid funds. In other cases, a more detailed analysis of the entity's financial condition and expected ongoing liquidity (see paragraphs 205-40-50-5 and 55-2 for additional discussion of conditions and events) may be necessary along with an analysis of the expected effect of management's plans and the feasibility of those plans (see paragraphs 205-40-50-6 through 50-11). Entities that can leverage already existing processes and controls in developing those forecasts are also likely to incur fewer costs associated with implementation and ongoing compliance."

Per KPMG Interpretive Guidance 205-40-55-2 regarding adverse conditions and events, "Examples of internal and external matters that may initially raise substantial doubt about an entity's ability to continue as a going concern include:

- An entity does not have sufficient unpledged assets to meet margin requirements of its asset-backed lenders (may result in the need to sell assets under adverse market conditions or allow lenders to terminate lending agreements entirely).
- An entity receives a credit rating downgrade and the entity's principal debt arrangement includes a material adverse change clause that provides the lender the option to declare an event of default if and when the lender believes that a material adverse change has occurred.
- An entity is experiencing instances where a long-time significant vendor is refusing to deliver additional goods, or will deliver goods only on a cash on delivery basis. An entity has been able to meet its obligations as they came due during the year, but has increased its reliance on support from investors and has begun deferring payments to trade creditors beyond stipulated payment terms."

Analysis:

The Bank evaluated whether the Bank's liquidity sources and near-term obligations indicate that there is substantial doubt of the Bank's ability to continue as a going concern within one year of the date the financial statements are issued. The analysis was performed in accordance with ASC 205-40.

The first step of the two-step going concern assessment was to determine if it is probable the Bank will be able to meet its obligations during the look-forward period of one-year from the date its financial statements are issued. "Probable" under ASC 205-40 is used consistently with its use in ASC 450, Contingencies, which generally is interpreted to represent a 70-75% likelihood of occurrence. Step 1 involved assessing what the Bank:

- Has – i.e. its current financial condition and access to liquidity;
- Owes – i.e. its obligations coming due; and
- Needs – i.e. how much it needs to fund its operations.

The Bank's assessment was based on conditions and events that were known and reasonably knowable at the assessment date of May 9, 2023. For this assessment, the Bank's Financial Reporting team worked with the Bank's CFO and Treasurer to determine the Bank's expected sources and uses of cash during the look-forward period. The Bank included sources of liquidity that are fully committed as of the assessment date in its forecast of the look-forward period. Further, if the committed liquidity source has conditions attached such as collateral requirements, the Bank factored into its analysis whether the liquidity source would be available based on forecasted timing and balances of relevant collateral during the look-forward period. In addition, any of management's plans that were either fully implemented or in the normal course of business were included in the Step 1 analysis unless noted otherwise.

The Bank's Step 1 analysis used a conservative forecast and did not include approximately $13 billion of net deposit growth that the Bank is forecasting over the look-forward period. Including this deposit inflow would have increased the Bank's liquidity sources for its Step 1 analysis and increased the Bank's excess of its liquidity sources over its liquidity uses during the look-forward period.

The following summarizes the Bank's Step 1 analysis (amounts in millions):

	Cash Inflow				Funding Capacity at end of Period				
Liquidity sources	2Q23	3Q23	4Q23	1Q24	1Q23	2Q23	3Q23	4Q23	1Q24
Federal Reserve Bank - Fed Discount Window Renewal	$ -	$ -	$ -	$ -	$ 63,500	$ 63,500	$ 63,500	$ 63,500	$ 63,500
Federal Reserve Bank - Fed Discount Window Capacity Adjustment	4,338	3,938	3,570	3,638	15,841	15,503	11,565	7,989	4,351
Loans maturing and prepayments on loans	4,820	4,376	3,973	4,042	17,211	12,391	8,015	4,042	-
Cash and cash equivalents held and used	-	-	-	-	13,159	18,166	2,768	8,782	6,100
Federal Reserve Bank - Fed Discount Window Capacity	-	9,342	-	3,092	12,434	12,434	3,092	3,092	-
FHLB Renewal	-	-	-	-	6,910	6,910	6,910	6,910	6,910
FHLB Capacity	-	-	-	1,686	1,686	1,686	1,686	1,686	-
Investments maturing during assessment period	94	94	94	94	376	282	188	94	-
Total Step 1 sources	$ 9,252	$ 17,750	$ 7,643	$ 12,552	$ 135,117	$ 130,872	$ 97,724	$ 96,095	$ 80,861

	Cash Outflow				Remaining Obligations				
Obligations due between April 1, 2023 and March 31, 2024	2Q23	3Q23	4Q23	1Q24	1Q23	2Q23	3Q23	4Q23	1Q24
Federal Reserve Bank - Fed Discount Window	$ -	$ -	$ -	$ -	$ 63,500	$ 63,500	$ 63,500	$ 63,500	$ 63,500
$30B consortium	-	30,000	-	-	30,000	30,000	-	-	-
Federal Reserve Bank - BTFP	-	-	-	13,844	13,844	13,844	13,844	13,844	-
FHLB	-	-	-	-	6,910	6,910	6,910	6,910	6,910
Outflow from maturing CDs (excluding $30B consortium)	2,172	855	571	332	3,929	1,757	902	332	(0)
Unfunded lending commitments - Expected to fund	976	976	976	976	3,904	2,928	1,952	976	-
Loan pipeline	1,015	790	-	-	1,806	790	-	-	-
JPM Repo	-	446	-	-	446	446	-	-	-
Unfunded commitments - tax credit and other investments	68	68	68	68	272	204	136	68	-
Purchase obligations	14	14	14	14	56	42	28	14	-
Total uses	$ 4,245	$ 33,148	$ 1,629	$ 15,234	$ 124,666	$ 120,421	$ 87,272	$ 85,644	$ 70,410

	Funding Capacity Net of Remaining Obligations				
	1Q23	2Q23	3Q23	4Q23	1Q24
Total Step 1 sources	$ 135,117	$ 130,872	$ 97,724	$ 96,095	$ 80,861
Total uses	(124,666)	(120,421)	(87,272)	(85,644)	(70,410)
Excess funding capacity (gap in funding capacity)	$ 10,451	$ 10,451	$ 10,451	$ 10,451	$ 10,451

The above Step 1 calculation shows ~~significantly~~ greater funding capacity than forecasted cash use during the look-forward period. Due to the excess liquidity capacity, the Bank believes it is not probable that the Bank will not be able to meet its obligations during the look-forward period. As a result, the Bank does not need to perform a Step 2 analysis under ASC 205-40.

Certain other key assumptions made in the Bank's Step 1 analysis include:

- For the Bank's Step 1 liquidity sources that have conditions attached to them including collateral requirements, the Bank is forecasting that it will be in compliance with all conditions throughout the look-forward period including maintaining sufficient collateral throughout the look-forward period to maintain the liquidity capacity from each applicable source.
- The Bank does not expect to have any debt covenant violations during the look-forward period.
- The Bank has approximately $70 billion of combined outstanding borrowings from the Federal Reserve's Discount Lending Window and FHLB that have contractual maturities during the look-forward period. The Bank will continue to

Commented [redacted]: Is it the case that should they have a deposit outflow of greater than 10B over the next year they would fail? It would only need to be 2.5B net out each quarter to break that? I will need to better understand why that is not probable of occurring. They will need to better document whey they don't believe that is probable.

Commented [redacted]: We will have them expand on why they consider this unlikely – in the memo they talk about the fact that 53% of deposits would need to leave to be an issue – this also assumes no inflows at all of new deposits throughout the year.

Commented [redacted]: Unfunded Loans – how do these assumption reconcile with their recent experience on capital call lines. How did they arrive at these estimates?

Commented [redacted]: These are the same assumptions and amounts that are used for the CECL model- utilization is forecasted on historical experience and current trends (for example the increased cap call utilization experience in March)

Commented [redacted]: I still do not see any operating cash flow impacts included?

Commented [redacted]: They explain later in the memo that it is neg $400k over the full period so have not included due to immateriality.

Commented [redacted]: Does the loan pipeline assumption assume they will sell all loans that are originated after Q3?

Commented [redacted]: As of now the plan going forward is to only originate to sell. Loans will be priced at market clearing interest rate so as to be P&L neutral

Commented [redacted]: For Fed Discount and FHLB have we confirmed how they arrived at these capacity amounts

Commented [redacted]: They have shown us daily statements that show value of assets pledged, amount borrowed and availability remaining. The appendix will include the screenshots for May 9th when we get there roll this borrowing amount forward beyond the look-forward period, and therefore these borrowings do not have a cash impact in our Step 1 analysis.

- The Bank expects approximately $17 billion of cash inflows from loans maturing and prepayments on loans during the look-forward period excluding amounts from loan originations during the look-forward period. This amount aligns with the amount in the Bank's CECL model except the CECL model includes amounts from originations during the look-forward period.
- The Bank assumed that the entire $30 billion of time deposits from the consortium of banks will be a cash outflow during the look-forward period as the Bank does not control whether the CDs will be renewed with the Bank.
- The Bank has approximately $15 billion of customer CDs that mature during the look-forward period. Historically, a significant portion of the Bank's CDs have been reinvested by customers into new CDs. As this is part of the Bank's normal course of business (as opposed to the $30 billion of time deposits from the consortium), the Bank has assumed an outflow of approximately $3.9 billion from these CDs and the remainder are forecasted to be reinvested. The Bank's forecasted reinvestment rate of 73% for this Step 1 calculation is approximately in line with its historical rate because most of these CDs are federally insured and therefore viewed as low risk.
- As of March 31, 2023, the Bank has approximately $49 billion of unfunded lending commitments. The Bank applied a weighted-average expected percentage of funding to this amount to determine that the Bank expects to fund approximately $7.6 billion, of which the Bank expects to fund $3.9 billion during the look-forward period. The weighted-average percentage of funding was determined by applying the Bank's CECL model's percentage of funding for each lending product to the unfunded commitment for each lending product.
- The Bank expects to fund approximately $0.8 billion of loans during the look-forward period that are currently in the Bank's pipeline. The Bank intends to originate loans at a slower pace during the look-forward period compared to historical trends.
- The Bank does not forecast net operating cash flows. However, for this Step 1 analysis, the Bank used $0.4 billion of forecasted pre-tax loss during the look-forward period as a proxy for net operating cash flows. Due to the relative insignificance of this amount in the context of the Bank's Step 1 analysis, we did not include this amount in our Step 1 calculation.
- The Bank expects that it will not pay common stock or preferred stock dividends during the look-forward period, or at a maximum, the amount will be insignificant for the purposes of this Step 1 calculation and will not impact the Step 1 conclusion.

The Bank also considered the following circumstances as part of its Step 1 analysis, however, they did not change the conclusion of the Step 1 analysis:

- During Q1 2023, the Bank's liquidity position was stressed with approximately $72 billion decrease in customer deposits following the collapse of SVB and Signature Bank in March 2023. The Bank has met its liquidity needs through various funding sources, including short term borrowings with the Federal Reserve, FHLB and JP Morgan with its loans and investment portfolio pledged as collateral.
- Although the Bank is forecasting net deposit growth of approximately $13 billion during the look-forward period (which is excluded from the Step 1 calculation as noted above), the Bank may experience a net deposit outflow particularly for uninsured deposits. As of March 31, 2023, the Bank had $19.8 billion of uninsured deposits excluding the $30 billion from the consortium. The outflow of more than 53% of these uninsured deposits would result in the Bank's obligations exceeding its funding capacity under the framework of the Step 1 calculation. However, the Bank's deposit base has stabilized since the outflow in March 2023 and management believes that the probability of a net outflow of more than

Commented [redacted]: I presume they have committed lines that allow them to roll? If this requires approval of the regulators or lenders then will need to understand why they feel they can roll.

Commented [redacted]: Correct, as long as they have pledgeable assets they are able to borrow from the Fed and FHLB.

Commented [redacted]: Same comment as last time. Given they have seen CD breaks rise why is this a reasonable assumption.

Commented [redacted]: Will see what they can give for support to include in appendix. The breakage was largely uninsured CDs in that third week of March.

Commented [redacted]: But recent experience as disclosed in their press release is the lines are being funded at a higher level. They will need to reconcile recent experience to this assumption.

Commented [redacted]: See response above – funding assumption reflects current experience

Commented [redacted]: Originate and sell? I didn't see any originations in the outflows above.

Commented [redacted]: See response above – would be originate to sell and P&L neutral

53% of its uninsured deposits during the look-forward period is relatively low, and due to this low probability, this hypothetical scenario would not raise "substantial doubt" about the Bank's ability to continue as a going concern.

- During March 2023, the three major credit rating agencies downgraded the Bank's credit rating. The Bank is expected to have sufficient borrowing capacity regardless of these credit downgrades.
- The Bank's share price significantly decreased during Q1 2023. However, the Bank does not contemplate any common stock offerings in the above Step 1 calculation.

Commented [redacted]: What about outflows attributed to reinvestment in higher yielding products which may not be impacted by whether they are insured or not?

Commented [redacted] I will have them include additional language here because these assumptions (as well as the bank's forecast) do not take into consideration the ability of the bank to "buy" deposits/ reinvestments by offering premium rates

Conclusion:
Based on the result of the analysis, which indicates the Bank expects approximately $10 billion of excess liquidity over this time horizon without layering on its expectation for deposit growth, the Bank has concluded that current conditions and events do not raise substantial doubt of the Bank's ability to continue as a going concern within one year after the date the Bank's Q1 2023 consolidated financial statements on Form 10-Q are issued. As such, no additional disclosures are necessary in the footnotes to the Bank's Q1 2023 consolidated financial statements.

Appendices:
Appendix A: Borrowing capacity at assessment date
Appendix B: Forecasted collateral during look-forward period
Appendix C: Forecasted reinvestment rate for customer CDs
Appendix D: Forecast of pre-tax loss for the look-forward period
Appendix E: Recent deposit flow
Appendix F: Forecasted funding of unused commitments

Appendix A: Borrowing capacity at assessment date

[Placeholder]

Appendix B: Forecasted collateral during look-forward period

The Bank uses a combination of investments and loans as collateral. The below table, which is sourced from the Bank's CECL model, represents the Bank's forecast of its loan balance which can be used as collateral during the look-forward period. In addition, the Bank's borrowing capacity at the FHLB is based on 25% of total assets. The carrying value of loans, which make up a large majority of the Bank's assets, are expected to be relatively flat during the look-forward period and as a result, the Bank is not expecting a significant decrease in its total assets during the look-forward period.

BAU Draft 6

Beginning Balance	*Balances as of 3/31*				
($ in billions)	**Mar-23**	**Jun-23**	**Sep-23**	**Dec-23**	**Mar-24**
Single Family	101.1	101.1	101.0	100.9	100.8
Equity lines	2.9	2.9	3.0	3.1	3.1
Multifamily	22.7	22.7	22.7	22.8	22.7
Commercial	11.1	11.1	10.9	10.8	10.6
Construction	3.7	3.7	3.6	3.5	3.5
Capital Call	11.5	11.5	11.6	11.7	11.7
Business Other	5.5	5.5	5.5	5.6	5.6
Tax Exempt Loans	3.8	3.8	3.8	3.8	3.8
Security Secured	4.4	4.4	4.4	4.4	4.3
Other Secured- PLP	3.2	3.2	3.2	3.2	3.2
Other secured	0.3	0.3	0.4	0.4	0.5
Unsecured Loans	3.1	3.1	3.1	3.1	3.1
Total Gross Loans	**173.3**	**173.3**	**173.2**	**173.1**	**172.9**

Appendix C: Forecasted reinvestment rate for customer CDs

CURR_DT		TOTAL_TO_BE_RENEW		TOTAL_NOT_RENEWED		TOTAL_RENEWED	Not Renewed%	Renewed%
3/31/2024	$	39,093,936	$	**7,818,787**			20%	
2/29/2024	$	571,240,996	$	**114,248,199**			20%	
1/31/2024	$	1,049,395,002	$	**209,879,000**			20%	
12/31/2023	$	1,136,094,492	$	**227,218,898**			20%	
11/30/2023	$	779,034,839	$	**155,806,968**			20%	
10/31/2023	$	750,872,585	$	**187,718,146**			25%	
9/30/2023	$	1,620,884,653	$	**405,221,163**			25%	
8/31/2023	$	656,510,593	$	**164,127,648**			25%	
7/31/2023	$	951,903,668	$	**285,571,101**			30%	
6/30/2023	$	1,904,215,663	$	**571,264,699**			30%	
5/31/2023	$	2,889,477,347	$	**866,843,204**			30%	
4/30/2023	$	2,445,585,156	$	**733,675,547**			30%	
3/31/2023	$	1,192,423,984	$	662,309,319	$	530,114,664	56%	44%
2/28/2023	$	4,455,647,475	$	954,580,902	$	3,501,066,573	21%	79%
1/31/2023	$	5,139,592,786	$	1,589,338,949	$	3,550,253,837	31%	69%
12/31/2022	$	994,305,638	$	253,088,346	$	741,217,292	25%	75%
11/30/2022	$	546,299,162	$	109,116,696	$	437,182,466	20%	80%
10/31/2022	$	607,220,305	$	76,584,558	$	530,635,747	13%	87%
9/30/2022	$	1,199,146,376	$	141,932,690	$	1,057,213,686	12%	88%

Total not renewed (see bold amounts above): $ 3,929,393,361

Commented [redacted]: They will need to explain why they feel the renewal rate will rise from 44% to 70% month over month.

Commented [[redacted]]: Yes, we had asked them yesterday to provide some more color on why they revert to a normal run-rate

[redacted]

Appendix D: Forecast of pre-tax loss for the look-forward period

The following forecast is from the Bank's BAU Forecast Number 6.

	Forecast			
	2Q23	3Q23	4Q23	1Q24
Total Interest Income	2,129	2,113	2,086	2,091
Deposit Expense	631	501	358	289
FHLB Advances and Other Debt	371	525	563	586
Short Term Borrowings	734	715	650	706
Senior Debt	-	-	-	-
Subordinated Debt	9	9	9	9
Total Interest Expense	1,746	1,751	1,579	1,589
Net Interest Income	**384**	**363**	**507**	**502**
Provision for Credit Losses	7	2	2	4
Wealth Management Fees	215	227	236	243
Other Non-Interest Income	72	71	69	70
Total Non-Interest Income	**286**	**298**	**305**	**313**
Total Non-Interest Expense	**911**	**834**	**814**	**780**
Pre-Tax Income	**(247)**	**(176)**	**(5)**	**31**

[redacted]

Appendix E: Recent deposit flow

[Placeholder]

[redacted]

Appendix F: Forecasted funding of unused commitments

Expected Funding (CECL model):	$7,608 million
Unused Commitments at March 31, 2023 (CECL model):	$49,188 million
Percentage of funding (CECL model):	15.47%
Expected Funding over the next year:	**$3,904 million**

There are two major assumptions:

1. Weighted Average Life is estimated only for portfolios with prepayment models. The following portfolios do not have modeled prepayment speeds, and as a result, the WAL is set to 1 year: Capital Call Lines of Credit, Standby Letters of Credit, Household Debt Refinance, Stock Secured, Individually Assessed.
2. In CECL, the WAL for SFOOC includes both the construction phase and the perm phase. However, unused commitments can only be drawn during the construction phase. To account for the draw period only, the WAL for SFOOC was overridden with the WAL from the MF/CRE Construction portfolio (which only includes the construction phase).

Email from Lead Audit Partner 2, KPMG Partner re: FRB

KPMG-FRB-WP-0000032324

Message

From: Lead Audit Partner 2
Sent: 3/17/2023 3:08:57 PM
To: KPMG
Subject: Re: FRB

Thanks KPMG I like that slide.

I spoke with Roffler this morning to share the convo with George. Mike understands our responsibilities and view and reiterated that for the first time ever the board is feeling some pressure.

At this point I think we can hold off on you connecting with George. I'll stay close to him abs keep you updated.

Happy St. Patrick's Day!!!

On Mar 17, 2023, at 2:23 PM, KPMG <[redacted]@kpmg.com> wrote:

Thanks for the heads up and sounds like an interesting dialogue

A couple of thoughts...

1. Obviously, I am happy to reach out to George but defer to your judgment re: value/necessity. Let me know
2. George was very concerned about KPMG when I first got involved as a result of the PCAOB issue so you should be aware of the longer term concerns. He is also an academic and likes to kick these issues around. He has also been concerned about our involvement with [redacted] as they went through their issues
3. I am attaching a slide that I developed for to discuss the accumulating interest rate risk during 2022 which I am pretty sure I shared with [redacted] and think he may have shared with FRB or a version of this
4. I think we should be very clear with him re: all the discussions we likely had about interest rate risk etc. [redacted] should help you put together some anecdotes from our AC materials. Point being, we don't have to have an argument but we can highlight/remind about any discussions we did have
5. Paul Knopp has been quoted recently about the firm's position on these accounts and audits. Consider if you want to send to George or not

Keep me in the loop

From: Lead Audit Partner 2 @kpmg.com>
Sent: Friday, March 17, 2023 6:57 AM
To: KPMG <[redacted]@kpmg.com>
Subject: FRB

KPMG

Just an FYI – [redacted] and I both had calls with George yesterday. He was concerned about us being the auditors at SVB, Signature and FRB and was questioning whether or not we have a firm issue etc. He also was challenging why the auditors of banking clients (specifically our team) aren't drawing attention to unrealized losses sitting in the AFS, HTM and loan portfolios instead of just relying on the fact that there is a FV footnote in the 10K.

I don't think there is anything for you to do at this time but I will keep you updated if I hear more.

Lead Audit Partner 2

<Big4AFSHTMVisual.pdf>

Email from Audit Partner, KPMG to Partner, KPMG
KPMG-FRB-PSI-0000032303

Message

From: Lead Audit Partner 2
Sent: 3/17/2023 3:02:50 PM
To: [redacted]
Subject: Re: FRB

Made that message crystal clear to CEO, CFO and Dpty CFO this morning without any objections. They are likely to move everything to AFS prior to QE and beginning selling.

Heads up also that they may go to the market as early as Monday. KPMG will coordinate any reviews we need from you.

On Mar 17, 2023, at 11:03 AM, [redacted]@kpmg.com> wrote:

Ok. We can discuss but like we chatted about yesterday I think in general for HTM the assertion that they have the positive intent to hold to maturity is going to be a hurdle for Q1. I would start to condition the client that this will be an issue as based on the below it doesn't sound like they have processed that yet.

Sent from my iPhone

On Mar 17, 2023, at 6:53 AM, Lead Audit Partner 2 @kpmg.com> wrote:

[redacted] – CFO had a question that we are taking a look at. He wants to understand if there is any impact on the HTM portfolio if the move some of the loan portfolio to AFS. Loan book is currently at amortized cost/ held for investment. In the past they have sold some loans but I don't believe there were any in 2022. The team is looking into all of this now and I just wanted to keep you in the loop.

As you saw the $30 bn of deposits they received yesterday have an initial term of 120 days. Bank is currently going through an evaluation of their business model and business plan to reposition themselves for their new reality.

Also, had a call with AC chair last night. He was concerned about us being the auditors at SVB, Signature and FRB and was questioning whether or not we have a firm issue etc. He also was challenging when the auditors of banking clients aren't drawing attention to unrealized losses sitting in the AFS, HTM and loan portfolios instead of just relying on the fact that there is a FV footnote.

APPENDIX IV

Email from Audit Partner, KPMG to Chief Operating Officer, KPMG
KPMG-SVB-PSI-0000064668

Message

From: KPMG [redacted]
Sent: 1/21/2023 1:20:02 AM
To: Pohlman, Jack [redacted]
Subject: FW: [EXTERNAL] AC follow up

Jack – I can move the meeting to 11:30am / 2:30pm ET – for 1 hour. Laura can join for 20 minutes (2:30pm-2:50pm ET) and drop off. Does that seem ok?

From: KPMG [redacted] <[redacted]@KPMG.com>
Sent: Friday, 20 January, 2023 5:14 PM
To: Pohlman, Jack <[redacted]@KPMG.com>; KPMG [redacted] <[redacted]@KPMG.com>
Cc: KPMG [redacted] <[redacted]@kpmg.com>
Subject: RE: [EXTERNAL] AC follow up

Hi Jack,

Thank you for your email. On Monday, Laura could only be available between 2:15 – 2:50 p.m. ET. She is not available the rest of the day due to Management Committee Meetings. She has more time available on Tuesday, but if the meeting needs to happen on Monday, please send out the planner with the above time.

I see you sent a meeting request at 3:00 p.m. ET but Laura is already committed.

Thank you in advance for your understanding

KPMG [redacted]
Project Manager, Office of the Deputy Chair and COO
KPMG LLP
[redacted]
P. [redacted] | M. [redacted] | E. [redacted] | S. LinkedIn

From: Pohlman, Jack <[redacted]@KPMG.com>
Sent: Friday, January 20, 2023 7:59 PM
To: KPMG [redacted] <[redacted]@KPMG.com>
Cc: KPMG [redacted] <[redacted]@KPMG.com>; KPMG [redacted] <[redacted]@kpmg.com>
Subject: RE: [EXTERNAL] AC follow up

Hi KPMG [redacted] and KPMG [redacted] –

We are trying to schedule a meeting with me, Laura, KPMG [redacted] and [redacted] for Monday of next week.

Would it be possible that Laura is available for 45 minutes to 1 hour between 2:30-4:30EST?

Jack Pohlman
Partner
KPMG

[redacted]
office: [redacted]

mobile: [redacted]

From: KPMG [redacted] <[redacted]@KPMG.com>
Sent: Friday, January 20, 2023 10:43 AM
To: Pohlman, Jack <[redacted]@KPMG.com>
Cc: KPMG [redacted] <[redacted]@KPMG.com>; Newinski, Laura M <[redacted]@kpmg.com>
Subject: RE: [EXTERNAL] AC follow up

Greetings Jack -

In KPMG absence (she is out of the office today), I have placed a hold on Laura's calendar to reach out to you on mobile phone [redacted] after she arrives and clears customs this afternoon.

Regards,
KPMG [redacted] she/her/hers)
[redacted]
KPMG LLP
direct: [redacted] | mobile: [redacted]
kpmg.com/us | Turning insights into opportunity | KPMG US | KPMG on Twitter

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From: Newinski, Laura M <[redacted]@kpmg.com>
Sent: Friday, January 20, 2023 12:29 PM
To: Pohlman, Jack <[redacted]@KPMG.com>
Cc: KPMG [redacted] <[redacted]@KPMG.com>
Subject: Re: [EXTERNAL] AC follow up

Hi Jack - So disappointing - and I know you have been doing a wonderful job on SVB. I am in the air on my way back from the WEF in Davos. I can call you after I clear customs - probably around 5:30 CT/3:30PT. Mary has been a hard one to understand/manage. I think we should bring KPMG n right away to help us strategize (if he can with time out).
I am surprised the rest of the Audit committee is going along. We should talk with each one of them individually as well.
Talk soon. CHin up - we will win them over!

Integrity. Excellence. Courage. Together. For Better.

Laura Newinski
KPMG Deputy Chair and COO

[redacted] cell

On Jan 20, 2023, at 6:18 PM, Pohlman, Jack <[redacted]@kpmg.com> wrote:

Hi Laura,

I hope you are well. I received the disappointing email below this morning, and was completely caught off guard.

I wanted to see if you have a few minutes to connect today to discuss next steps. I can also share a few things with you relating to some discussions with the CFO and CAO (they were also surprised by this decision). Management has stated that they are fully supportive of KPMG and our team, and do not have a desire to make a change.

I'm sorry to have to share this news with you. I believe we have provided excellent client service and exceeded expectations. However, the AC has been criticized by their regulator and I believe this is their effort to demonstrate strong governance and oversight. I haven't shared this with others yet because I wanted to speak with you first.

Thanks,

Jack Pohlman
Partner
KPMG
[redacted]
office: [redacted]
mobile: [redacted]
[redacted]@kpmg.com

-----Original Message-----
From: Mary Miller [redacted]
Sent: Friday, January 20, 2023 5:36 AM
To: Pohlman, Jack <[redacted]@KPMG.com>
Cc: Dan Beck <[redacted]@svb.com>
Subject: [EXTERNAL] AC follow up

Good morning Jack,

I wanted to make you aware of one decision the Audit Committee made and did not want you to be caught off guard. In approving our external auditor we also asked Dan Beck to conduct an RFP for external audit work in the next two years.This is absolutely no reflection on you, because everyone is very happy with you and your team's work. At the same time the Committee is concerned with the very long tenure of KPMG - over two decades - without conducting any competitive review. We also feel that as we grow into LFI status we should be aware of the audit resources required for a larger and more complex bank and know what other firms are doing. This doesn't mean that we will make a change, just that we can demonstrate that we have made an informed choice. I'm happy to discuss this with you - as is Dan - but I wanted to tell you myself and make sure you understand our thinking.

Mary

Email from Audit Partner, KPMG to Chief Executive Officer, Silicon Valley Bank

KPMG-SVB-PSI-0000027844

Message

From:	Greg Becker [[redacted]@svb.com]
Sent:	1/24/2023 11:42:54 PM
To:	Pohlman, Jack [redacted]
CC:	Newinski, Laura [redacted]
Subject:	[EXTERNAL] RE: AC follow up

Jack,

Happy to jump on a call. As Mary points out there have been no issues and in fact things are going better under your leadership. AC just feels for proper governance this is the right thing to do.

Regards,

Greg

SVB Confidential

-----Original Message-----
From: Pohlman, Jack <[redacted]KPMG.com>
Sent: Tuesday, January 24, 2023 3:31 PM
To: Greg Becker <[redacted]svb.com>
Cc: Newinski, Laura M <[redacted]@kpmg.com>
Subject: FW: AC follow up

External Sender: This email originated from outside of the organization.

Hi Greg,

I hope you are well. We received the email below from Mary last week and would love the chance to connect with you to get your perspectives.

SVB is a critically important client to our firm and we truly value the opportunity to serve as your audit firm. We have received positive feedback on our relationship and service and we understand that the motive for an audit-RFP is for governance purposes. We would really appreciate the chance to have a brief virtual call with you. I'm copying Laura Newinski, who is KPMG's Deputy Chair and COO. She has served as the KPMG Account Executive for SVB, and has had a number of meetings with management and the audit committee to discuss various topics of interest pertaining to KPMG.

Thanks in advance for your time. I will have my admin assistant reach out to yours to see if there is a mutually convenient time. Look forward to speaking.

Sincerely,

Jack Pohlman
Partner
KPMG
[redacted]
office: [redacted]
mobile: [redacted]
[redacted]@kpmg.com

-----Original Message-----
From: Mary Miller [redacted]
Sent: Friday, January 20, 2023 5:36 AM
To: Pohlman, Jack <[redacted]com>
Cc: Dan Beck <[redacted]svb.com>
Subject: [EXTERNAL] AC follow up

Good morning Jack,

I wanted to make you aware of one decision the Audit Committee made and did not want you to be caught off guard. In approving our external auditor we also asked Dan Beck to conduct an RFP for external audit work in the next two years.This is absolutely no reflection on you, because everyone is very happy with you and your team's work. At the same time the Committee is concerned with the very long tenure of KPMG - over two decades - without conducting any competitive review. We also feel that as we grow into LFI status we should be aware of the audit resources required for a larger and more complex bank and know what other firms are doing. This doesn't mean that we will make a change, just that we can demonstrate that we have made an informed choice. I'm happy to discuss this with you - as is Dan - but I wanted to tell you myself and make sure you understand our thinking.

Mary

Email from Chief Executive Officer, Silicon Valley Bank to Chief Operating Officer, KPMG and Audit Partner, KPMGPMG

KPMG-SVB-PSI-0000028784

Message

From: Greg Becker [[redacted]@svb.com]
Sent: 1/25/2023 1:14:54 AM
To: Pohlman, Jack [redacted]
CC: Newinski, Laura M [redacted]
Subject: [EXTERNAL] RE: AC follow up
Attachments: EF-TIBCO-SVB.pdf

Jack and Laura,

One more thing I forgot to mention. SVB is one of the title sponsors of a women's world professionally cycling team (only 15 in the world). One of the title sponsors is dropping out next year and they need to replace them. KPMG would be a perfect fit. Here's some info on the team.

Could you help get this in front of your corporate marketing team? Women's Pro Cycling [redacted] love to talk to them.

Thanks,

Greg

SVB Confidential

-----Original Message[redacted]
From: Pohlman, Jack <[redacted]KPMG.com>
Sent: Tuesday, Ja[redacted]4, 2023 3:31 PM
To: Greg Becker <[redacted]@svb.com>
Cc: Newinski, Laura M <[redacted]@kpmg.com>
Subject: FW: AC follow up

External Sender: This email originated from outside of the organization.

Hi Greg,

I hope you are well. We received the email below from Mary last week and would love the chance to connect with you to get your perspectives.

SVB is a critically important client to our firm and we truly value the opportunity to serve as your audit firm. We have received positive feedback on our relationship and service and we understand that the motive for an audit-RFP is for governance purposes. We would really appreciate the chance to have a brief virtual call with you. I'm copying Laura Newinski, who is KPMG's Deputy Chair and COO. She has served as the KPMG Account Executive for SVB, and has had a number of meetings with management and the audit committee to discuss various topics of interest pertaining to KPMG.

Thanks in advance for your time. I will have my admin assistant reach out to yours to see if there is a mutually convenient time. Look forward to speaking.

Sincerely,

Jack Pohlman
Partner
KPMG
[redacted]
office: [redacted]
mobile:
[redacted]kpmg.com

-----Original Message-----
From: [redacted]gmail.com>
Sent: Friday, Janua[redacted]2023 5:36 AM
To: Pohlman, Jack <[redacted]KPMG.com>
Cc: Dan Beck <[redacted]@svb.com>
Subject: [EXTERNAL] AC follow up

Good morning Jack,

I wanted to make you aware of one decision the Audit Committee made and did not want you to be caught off guard. In approving our external auditor we also asked Dan Beck to conduct an RFP for external audit work in the next two years.This is absolutely no reflection on you, because everyone is very happy with you and your team's work. At the same time the Committee is concerned with the very long tenure of KPMG - over two decades - without conducting any competitive review. We also feel that as we grow into LFI status we should be aware of the audit resources required for a larger and more complex bank and know what other firms are doing. This doesn't mean that we will make a change, just that we can demonstrate that we have made an informed choice. I'm happy to discuss this with you - as is Dan - but I wanted to tell you myself and make sure you understand our thinking.

Mary

KPMG Internal Email Communications
KPMG-SVB-PSI-0000062126

Appointment

From: KPMG [redacted]
Sent: 1/25/2023 6:38:56 PM
To: [redacted] ([redacted]@kpmg.com) [[redacted]@kpmg.com]

Subject: SVB prep
Location: Microsoft Teams Meeting

Start: 1/25/2023 7:00:00 PM
End: 1/25/2023 7:50:00 PM
Show Time As: Tentative

Required Attendees: [redacted]

Hi [redacted] – Do you have some time to help me prep for a discussion with the SVB CFO? I've been having some positive interactions through text message with him and he and I are going to meet for a drink on Friday afternoon.

He said he would like to explore alternatives to either (a) extending the timeframe for the RFP to be in the next 3-5 years (rather than in 2 years), or (b) trying to convince the AC to remove their RFP recommendation all together. He mentioned that he has not explored either with the AC yet, but would like to discuss those with me. We also have a meeting scheduled with him and Laura on Feb 8th.

Microsoft Teams meeting

Join on your computer, mobile app or room device
Click here to join the meeting

Meeting ID: [redacted]
Passcode: [redacted]
Download Teams | Join on the web

Join with a video conferencing device
[redacted]
Video Conference ID: [redacted]
Alternate VTC instructions

Or call in (audio only)
[redacted] United States, Los Angeles
Phone Conference ID: [redacted]
Find a local number | Reset PIN

Learn More | Meeting options

Email from Chief Operating Officer, KPMG to Chief Executive Officer, Silicon Valley Bank

KPMG-SVB-PSI-0000004794

Message

From:	Greg Becker [[redacted]@svb.com]
Sent:	2/23/2023 3:57:10 PM
To:	Newinski, Laura M [redacted]
CC:	KPMG [redacted]
Subject:	[EXTERNAL] RE: Pro Cycling Partnership Opportunity

Laura,

Thanks for considering this. I'm ccin' Women's Pro Cycling [redacted] on the email so she can connect with KPMG to at least get the conversation started.

I'll let the two of them take it from here.

Regards,

Greg

From: Newinski, Laura M <[redacted]@kpmg.com>
Sent: Wednesday, February 22, 2023 1:25 PM
To: Greg Becker <[redacted]@svb.com>
Cc: KPMG [redacted] <[redacted]@kpmg.com>; Pohlman, Jack <[redacted]@kpmg.com>
Subject: Pro Cycling Partnership Opportunity

External Sender: This email originated from outside of the organization.

Hi Greg,

I hope you are doing well.

It was very nice speaking with you last week. Thank you for bringing the EF Education-TIBCO-SVB women's professional cycling team partnership opportunity to Jack's and my attention. I read the materials you provided us and looked through the team's website. I was especially inspired by [redacted] vision, the team's mission and the great strides that have been made over the years both in the development of this team and in the sport.

While at the moment we are fully committed to our sports marketing strategy, I would very much like to open the door to a conversation between our two teams. Included on this email is KPMG [redacted] who is our [redacted] KPMG [redacted] is looking forward to connecting with [redacted] and discussing this further.

Greg, thank you again for bringing this unique opportunity to our attention.

Regards, *Laura*

Integrity. Excellence. Courage. Together. For Better.

Laura M Newinski
Deputy Chair and COO
KPMG LLP

[redacted]

[redacted]@kpmg.com

Any advice in this communication is limited to the conclusions specifically set forth herein and is based on the completeness and accuracy of the stated facts, assumptions and/or representations included. In rendering our advice, we may consider tax authorities that are subject to change, retroactively and/or prospectively, and any such changes could affect the validity of our advice. We will not update our advice for subsequent changes or modifications to the laws and regulations, or to the judicial and administrative interpretations thereof. The advice or other information in this document was prepared for the sole benefit of KPMG's client and may not be relied upon by any other person or organization. KPMG accepts no responsibility or liability in respect of this document to any person or organization other than KPMG's client.

KKPMG Examining Committee Notice of Independence Breach

KPMG-SBNY-PSI-0000030294

KPMG

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

November 9, 2022

Examining Committee
Signature Bank

Ladies and Gentlemen:

When KPMG LLP ("KPMG" or the "Firm") has determined that a breach of an independence standard has occurred, our professional standards require that as soon as possible we inform you of the breach and the action we have taken, and communicate with you, in writing, all matters discussed and obtain your concurrence that action has been taken to satisfactorily address the breach. This letter is intended to comply with these requirements.

Summary

KPMG identified violations of SEC and PCAOB independence rules related to a former KPMG partner (the "Partner") who began serving in a financial reporting oversight role ("FROR") at Signature Bank (the "Company") while maintaining an impermissible financial arrangement with the Firm. Additionally, KPMG provided tax services for the Partner by preparing and filing her 2021 tax return, in violation of PCAOB Rule 3523(c).

Rule Violated

SEC Regulation S-X 2-01 (c)(2) *Employment relationships* states "An accountant is not independent if, at any point during the audit and professional engagement period, the accountant has an employment relationship with an audit client, such as: [...] (iii) Employment at audit client of former employee of accounting firm.

(A) A former partner, principal, shareholder or professional employee of an accounting firm is in an accounting role or financial reporting oversight role, at an audit client, unless the individual: [...]

> (3) Has no financial arrangement with the accounting firm other than one providing for regular payment of a fixed dollar amount (which is not dependent on the revenues, profits, or earnings of the accounting firm):
> (i) Pursuant to a fully funded retirement plan, rabbi trust, or in jurisdictions in which a rabbi trust does not exist, a similar vehicle [...]

PCAOB Rule 3523 states that "a registered public accounting firm is not independent of an issuer audit client if the firm, or any affiliate of the firm, during the professional engagement period provides any tax service to a person in a financial reporting oversight role at the issuer audit client, or an immediate family member of such person, unless ... (c) the person was not in a financial reporting oversight role at the issuer audit client before a hiring, promotion, or other change in employment event and the tax services are –

> 1) provided pursuant to an engagement in process before the hiring, promotion, or other change in employment event; and
>
> 2) completed on or before 180 days after the hiring or promotion event."

Cause of breach

The Partner was the former lead audit engagement partner on the FY20 audit for the Company. After issuance of the audit report, the Partner consulted with Risk Management ("RM") – Independence regarding her potential employment with the Company as the Chief Risk Officer ("CRO"). At that time, RM – Independence concluded that the CRO role would not be considered an accounting role ("AR") or FROR as the Company removed certain functions from the CRO's purview. Those functions related to the loan risk review and the SOX compliance function. As the Firm concluded that the CRO was not an AR or FROR, the Firm did not settle the Partner's unfunded financial relationships with the firm at this time.

After the FY21 audit report was issued on March 1, 2022, the Company moved the loan risk review and SOX compliance functions back under the purview of the CRO, and as such, the CRO role in KPMG's view became a FROR. At this time, the Partner informed the audit engagement team that these roles were moved back under the purview of the CRO; however, the audit team was unaware of the Partner's unfunded financial relationship. Due to miscommunication around the steps required to resolve the independence implications prior to those roles moving back under the CRO's purview, the Partner's unfunded financial relationship with the Firm was not settled at that time. As such, beginning in March 2022, the Partner was in a FROR position while maintaining an impermissible financial relationship with the Firm in violation of the above referenced SEC independence rule.

Additionally, KPMG performed Tax Services for the partner's 2021 tax year, which were filed on October 14, 2022. As the completion of these services occurred more than 180 days after the Partner took on the FROR responsibilities on or around March 2, 2022, the 2021 tax return is not eligible for the PCAOB Rule 3523 transition provisions. As such, the Partner's use of the Firm's Partner Tax Services resulted in a violation of PCAOB Rule 3523(c).

Identification of the breach

This matter was identified by KPMG's RM – Independence in October 2022 after an inquiry was submitted by the audit engagement team regarding a different former audit team member's employment with the Company.

Actions taken to address the breach

On October 24, 2022, KPMG funded a rabbi trust for the unfunded long-term compensation benefit due to the Partner, which ended the financial arrangement giving rise to the breach. Additionally, as the Partner is no longer eligible to utilize the Firm tax services subsequent to the 2021 tax year, no further action is necessary.

Evaluation of the breach

We considered the following factors in evaluating the potential impact of the breach on our objectivity and impartiality in the performance of our audit with the Company during the fiscal year ended December 31, 2022:

- The audit engagement team had no knowledge of the Partner's financial arrangement prior to RM – Independence notifying them.
- The amount due to the Partner from the retirement benefit is not material to the Company, KPMG, or the Partner.
- The Partner deferred receipt of her retirement benefit, and as such, received no payments from the retirement benefit during FY22.

- The PCAOB Rule 3523 breach involved services related to individual income tax return preparation services, therefore the breach did not result in self-review, advocacy or bias.
- The tax return preparation services are not a type of service that we believe could affect our objectivity, impartiality of judgment, and professional skepticism.
- The audit engagement team was not aware that the Partner utilized the Firm's Partner Tax Services prior to their consultation with RM – Independence.
- No members of KPMG's Partner Tax Services team who performed the tax service for the Partner were part of the audit engagement team nor did they have any ability to influence the Company's audit.

Based on the above, in our professional judgment, we believe this violation did not compromise the engagement team's integrity, objectivity, impartiality, or professional skepticism and that the firm remained objective and impartial with respect to all issues encompassed in the performance of our engagement with the Company.

We are available to provide additional information that you may require.

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This letter is intended solely for the information and use of the Those Charged With Governance and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP