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Recent Developments: Silicon Valley Bank and Signature Bank

March 13, 2023

After depositors rushed to withdraw funds from Silicon Valley Bank (SVB), on Friday, March 10, 2023, **the US bank was closed** by the California Department of Financial Protection and Innovation (DFPI), and the Federal Deposit Insurance Corporation (FDIC) was named receiver of the closed bank. SVB's sudden failure going into the weekend created significant uncertainty – and prompted many questions about the ability to access accounts and funds held at the bank at the time it closed.

On March 10, the FDIC's first step was to create the Deposit Insurance National Bank of Santa Clara (DINB) to protect insured deposits of SVB customers and facilitate the resolution of the bank. On the evening of Sunday, March 12, however, government officials issued a joint press release stating, in part, that Secretary of the Treasury Janet L. Yellen "approved actions enabling the FDIC to complete its resolution of Silicon Valley Bank, Santa Clara, California, in a manner that fully protects all depositors" – i.e., insured and uninsured deposits. Also on March 12, in the wake of the closing of SVB, the New York State Department of Financial Services took possession of Signature Bank and appointed the FDIC as receiver of that bank.

More detail on developments between March 10 and Monday, March 13, including announcements regarding the current status of SVB and Signature Bank available at the time of publication, is provided below.

Silicon Valley Bank

On the morning of March 13, the FDIC issued another press release indicating that it **transferred all deposits** – insured and uninsured – and substantially all assets of SVB to a newly created, full-service FDIC-operated "bridge bank" named Silicon Valley Bank, N.A. According to the FDIC, this action is designed to protect all depositors of SVB. Those depositors automatically became customers of the bridge bank and should have had full access to their funds starting on the morning of March 13 when the SVB bridge bank opened and resumed normal banking hours and activities, including online banking. According to the press release, SVB official checks will continue to clear. The receiver for SVB also has transferred all qualified financial contracts of SVB to the bridge bank. According to **FDIC regulations**, the term "qualified financial contract" includes any securities contract, commodity contract and repurchase agreement.

Nonetheless, the FDIC reiterated that shareholders and certain unsecured debt holders will not be protected.

Also on March 13, **HSBC Holdings plc announced** that its UK subsidiary, HSBC UK Bank plc, is acquiring Silicon Valley Bank UK Limited, an affiliate of SVB.

The developments on March 13 followed the joint press release issued on March 12 by **Yellen, Federal Reserve Board Chair Jerome H. Powell and FDIC Chairman Martin J. Gruenberg** stating that "[a]fter receiving a recommendation from the boards of the FDIC and the Federal Reserve, and consulting with the President, Secretary Yellen approved actions enabling the FDIC to complete its resolution of Silicon Valley Bank, Santa Clara, California, in a manner that fully protects all depositors. Depositors will have access to all of their money starting Monday, March 13."

The joint press release was released moments after the **Federal Reserve Board announced** it would make available additional funding to eligible depository institutions in order to help assure that banks have the ability to meet the needs of all of their depositors. In its announcement, the Federal Reserve said that it “is prepared to address any liquidity pressures that may arise.”

Signature Bank

After the New York State Department of Financial Services announced on March 12 that it **had taken possession of Signature Bank** and appointed the FDIC as receiver of the bank, the FDIC announced that it had **established Signature Bridge Bank, N.A.**, as a successor to Signature Bank, New York, NY. As with SVB, the announcements relating to Signature Bank affirmed that banking activities, including online banking, would resume on March 13. The bank currently is being marketed to potential bidders, and Signature Bridge Bank, N.A., will operate the bank in order to maximize the value of the institution for a future sale while maintaining banking services to the accounts formerly served by Signature Bank.

The government officials’ joint press release on March 12 noted that the resolution of Signature Bank also was based on a systemic risk exception, and it affirmed that “[a]ll depositors of this institution [i.e., Signature Bank] will be made whole.”

Finally, with respect to the resolution of both banks, the joint press release stated that “no losses will be borne by the taxpayer.”

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