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The Failure of Silicon Valley Bank and Signature Bank

March 14, 2023 | **CLIENT ALERTS**

The two banks' sudden failure raises many questions about depositors' ability to access accounts held at the banks when they closed. The following is intended to provide an overview of the current updates issued by the FDIC and their intended treatment of assets in different types of accounts; it does not constitute legal or financial advice.

Silicon Valley Bank

Depositors rushed to withdraw funds from Silicon Valley Bank (SVB) last Friday, March 10, 2023 shortly before the US bank was closed by the California Department of Financial Protection and Innovation, 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.

The FDIC's first step was to create the Deposit Insurance National Bank of Santa Clara to protect insured deposits of SVB customers and facilitate the resolution of the bank. On Sunday, March 12, government officials issued a joint press release stating 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", meaning both insured and uninsured deposits.

On March 13, the FDIC issued another press release indicating that it transferred all deposits, including both insured and uninsured amounts, and substantially all assets of SVB to a newly created "bridge bank" named Silicon Valley Bank, N.A. This new institution is being operated by the FDIC and 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 bridge bank opened and resumed normal banking hours and activities.

Signature Bank

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 under its authority in Section 606 of the New York state banking law , and appointed the FDIC as receiver of that 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 to maximize the value of the institution for a future sale while maintaining banking services to the accounts formerly served by Signature Bank. In another joint statement, Yellen confirmed "[a]ll depositors of this institution will be made whole…[a]s with the resolution of Silicon Valley Bank, no losses will be borne by the taxpayer." Like SVB, the FDIC has declared their intention to protect both insured and uninsured depositors.

While all depositors are being protected with respect to both banks, the FDIC has stated that shareholders and certain unsecured debt holders will not be protected.

Check back often for updates. For more information on this and other related matters please contact Dennis C. Vacco (cvacco@lippes.com), Karl J. Sleight (ksleight@lippes.com), Christian R. Flemming (cflemming@lippes.com), Michael G. Rossetti (mrossetti@lippes.com) or anyone on the Government & Corporate Investigations Team.

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