Press Release

The Collapse of Silicon Valley Bank

PAULINA ENCK | MARCH 13, 2023

Last week saw the collapse of Silicon Valley Bank, America's sixteenth largest bank, after depositors attempted to withdraw $42 billion in a single day. In a new insight, Director of Financial Services Policy Thomas Wade walks through what went wrong with SVB and how policymakers' reactions to its failure will impact the banking industry.

Wade concludes:

> The prevailing economic factors have had negative impacts stretching far beyond SVB. Four of America's largest banks lost a combined $55 billion in a single day of trading. SVB is not the only bank to have gone under, with Silvergate preceding it and Signature Bank following—and both of which had also bet heavily on tech and in particular crypto. But weak management controls, a poorly diversified and sophisticated portfolio of customers within a highly concentrated sector, and an indefensible exposure to interest rate risk was enough to topple America's sixteenth largest bank. While it seems unlikely in the near future that the collapse of SVB will cause a significant domino effect within the U.S. banking sector, this failure presents several lessons bankers should learn: to avoid concentration in industries exposed to economic headwinds and to practice healthy balance sheet asset-liability matching. If there is a lesson for Congress and the administration to pull from SVB's fall, it is not that the banking sector is unsafe or that bank capital requirements are too low; instead, it to understand how financial regulators missed the obvious errors made by SVB management.

Read the analysis