MAR 20

Adriana Nunez

Paytechs emerged mostly unscathed from the SVB fallout

Article

The news: Major payments firms and fintechs noted that their businesses were mostly uninterrupted despite some close ties with now-collapsed **Silicon Valley Bank**, per Payments Dive.

- **Visa** and **Mastercard** said their debit and credit cards continued to function without any disruptions throughout the crisis, executives told analysts at a recent Wolfe Research Conference.
- **Affirm** said SVB was neither a funding partner nor an originating bank partner, and that large banks held the majority of its operating accounts. While it initially paused disbursements to merchants that had SVB accounts, it later resumed those transactions.
- **Marqeta** admitted that it did have some exposure to SVB—it used the bank as its primary account. But CEO Simon Khalaf downplayed the overall impact, noting that while he was grateful for regulators' intervention, there was no risk to the firm. Khalaf added that Marqeta was in the process of moving its business to a larger bank.

Key context: SVB's fall and **Signature Bank's** collapse triggered a deluge of payment issues for startups and contagion fears for the broader financial sector.

- Issues with payment processing, accessing capital, and cryptocurrency implications emerged in the wake of SVB's collapse.
- And this raised questions about how payment providers were responding to the turmoil. Several paytechs themselves were SVB customers, but also partnered with the bank to support external operations for their customers.
- Ultimately, thanks to regulator intervention and past diversification efforts, many payment providers that fell into this category came out unscathed.

The bigger picture: With SVB gone, there's an influx of startups among its former 40,000 customers looking for a new bank. Some have turned to traditional banks, hoping a more established lender will be less likely to face SVB's fate. However, many are still getting the cold shoulder from those large banks, and their account opening times can be longer than startup-focused lenders. Some banks are requiring a minimum $10 million in account deposits. Firms like **JPMorgan** and **Morgan Stanley** generally only work with companies that have more than $20 million in the bank, startup and venture capital investor Dylan Itzikowitz told PitchBook.

With few options left, startups' choice of a bank will depend on what they value. They may decide it's easier to leave their deposits at the newly created **Silicon Valley Bridge Bank** and avoid using Wall Street lenders for now. Or they may turn to smaller players—like regional and community banks—which likely lack the same level of perceived stability that larger multinationals have, but might be better at catering to their needs.

US Incumbent Banks vs. Neobanks Scores Across Digital Trust Categories, June 2022

points out of 100

	Average category score of 10 incumbent banks	Average category score of 4 neobanks
Security	84.6	82.5
Reputation	84.4	83.3
Ease of use	84.0	84.6
Privacy	83.7	83.4
Reliability	83.2	81.8
Feature breadth	82.0	81.5

Source: Insider Intelligence, "US Banking Digital Trust Benchmark 2022"; Insider Intelligence calculations, Aug 2022

277339 InsiderIntelligence.com

*This article originally appeared in **Insider Intelligence's Payments Innovation Briefing**—a daily recap of top stories reshaping the payments industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.*

- *Are you a client? Click here to subscribe.*
- *Want to learn more about how you can benefit from our expert analysis? Click here.*