

Silicon Valley Bank at the epicenter of potential banking crisis

Article

The news: The collapse and closing of **Silicon Valley Bank** over the weekend sent shockwaves through the technology sector, per [The New York Times](#).

Panic in the valley: Hundreds of startups faced an “extinction-level” event with a cash crunch and payroll crisis when SVB shut its doors after a bank run late last week, per [Insider](#).

The bank was a vital facilitator of the startup economy for decades, lending money and serving as a partner to tech startups. The recent economic downturn resulted in startups burning through cash and SVB announcing [a loss of \\$1.8 billion](#).

- The **Federal Deposit Insurance Corporation (FDIC)** took control of SVB Friday after it was shut down by California regulators.
- **Roku, Roblox, and Etsy** were among hundreds of prominent SVB clients left in limbo over the weekend.
- **SVB also worked with “nearly half” of US venture-backed biotech companies, which represented 12% of the bank’s \$173 billion in deposits.**
- The bank’s collapse could derail more than [1,500 climate startups](#) working on solar, hydrogen, and battery storage projects.
- **President Biden** assured SVP customers Monday that they would be able to access all of their cash and that “no losses associated with the resolution of Silicon Valley Bank will be borne by the taxpayer.”

Other banks in danger: The collapse underscores wider problems with the banking system.

- Fearing a fiscal contagion, various bank stocks plummeted in value yesterday, while New York’s [Signature Bank](#) similarly collapsed.
- **HSBC** acquired the Silicon Valley Bank’s UK branch to the relief of England’s technology sector, which was highly exposed to the collapse of SVB, per [TechCrunch](#).

A symptom of a bigger problem: SVB’s plight could be indicative of the frailty of the US banking system and the volatility surrounding venture capital and startups in the technology and technology-adjacent industries.

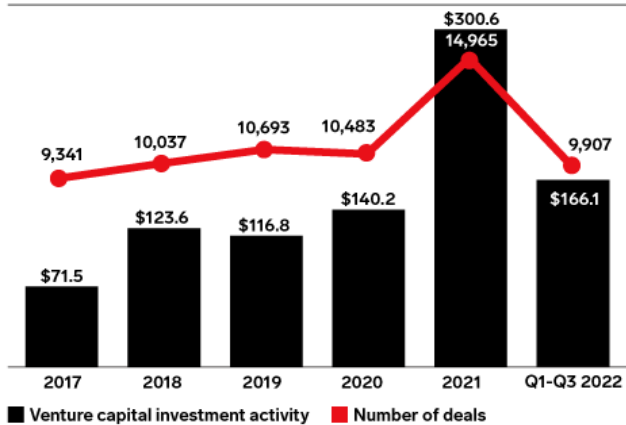
Investors are shaken and wary about the potential for a cascade of bank failures.

What this means for the tech sector: Startups and VCs could diversify their deposits and investments across a range of banking institutions. Companies like Etsy have already [shifted to alternative providers](#).

Despite its failure last week, SVB was considered a vital cog in the innovation ecosystem, and its loss will have a net effect on the technology sector for years to come.

US Venture Capital Investment Activity in the Tech Sector, 2017-Q3 2022

billions and number of deals



Source: PitchBook and National Venture Capital Association (NVCA), "Q3 2022 PitchBook-NVCA Venture Monitor" sponsored by Insperity and J.P. Morgan, Oct 13, 2022

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