



Insights

FDIC Forms Bridge Bank to Assist in Resolution of Silicon Valley Bank

SVB Update

March 13, 2023

The Federal Deposit Insurance Corporation (“FDIC”) today (March 13, 2023) transferred all deposits—both insured and uninsured—and substantially all assets of the former Silicon Valley Bank (“SVB”) to Silicon Valley Bank, N.A (the “Bridge Bank”) a newly created, full-service FDIC-operated ‘bridge bank’. The FDIC as receiver also transferred all qualified financial contracts[1] of SVB to the Bridge Bank.

A bridge bank is a national bank formed by the FDIC. The FDIC may transfer the assets and liabilities or any portions thereof to the bridge bank in connection with the resolution of a failed bank. The bridge bank structure is designed to stabilize a failed institution while the FDIC works to implement an orderly resolution.

According to the FDIC, depositors had full access to their money beginning this morning, when the Bridge Bank opened. The FDIC indicated that all depositors and borrowers of SVB will automatically become customers of the Bridge Bank and will have customer service and access to their funds in the same manner as before. Loan customers are directed to continue making loan payments as usual.

Although the FDIC press release indicated that SVB borrowers have automatically become “customers” of the Bridge Bank, and has directed loan customers to continue making payments as usual, the FDIC has not indicated whether the funding obligations associated with SVB loan commitments have been transferred to the Bridge Bank. As of this writing, the FDIC website still only refers to the general guidance for borrowers at the following link: <https://www.fdic.gov/resources/resolutions/bank-failures/failed-bank-list/borrowers/index.html>. This could

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mean that SVB loan commitment obligations have not been transferred to the Bridge Bank and the FDIC retains discretion as to whether to honor SVB loan commitments as described in the general guidance. On the other hand, the FDIC's direction for loan customers to continue making payments as usual may suggest that it intends for the Bridge Bank to largely operate in a manner as pre-receivership SVB, which could include honoring SVB loan commitments.

Further information is likely to be forthcoming on this issue. We will provide further updates as additional information is received. These observations do not constitute legal advice about any particular situation and discrete questions should be raised to the Chapman lawyer with whom you work.

1. The term "qualified financial contract" means "any securities contract, commodity contract, forward contract, repurchase agreement, swap agreement, and any similar agreement that the [FDIC] determines by regulation, resolution, or order to be a qualified financial contract for purposes of this paragraph," each as further defined in the Federal Deposit Insurance Act.