



## Insights

# FDIC Transfers Assets and Deposits of Silicon Valley Bank to a Bridge Bank

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### SVB Update

March 14, 2023

On Friday, March 10, 2023, Silicon Valley Bank (“SVB”) was closed and the Federal Deposit Insurance Corporation (“FDIC”) was appointed as receiver of SVB, which broadly means that the FDIC took control of SVB’s assets and liabilities and will determine whether and how those assets and liabilities will be acquired, assumed, and/or liquidated.

On Monday, March 13, 2023, the FDIC transferred all deposits—both insured and uninsured—and substantially all assets and many of the obligations and liabilities of the former SVB to Silicon Valley Bridge Bank, N.A. (the “Bridge Bank”), a newly-created, full-service FDIC-operated ‘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.

The FDIC has utilized a bridge bank infrequently since the Great Financial Crisis. In 2019, the current Chairman of the Board of Directors of the FDIC gave a speech discussing regional bank failures and bridge banks: <https://www.fdic.gov/news/speeches/2019/spoct1619.html>

This afternoon (March 14, 2023), an announcement from the CEO of the Bridge Bank was posted on the SVB website indicating that the Bridge Bank has “fully stepped into the shoes of the former Silicon Valley Bank,” and that:

1. All loan positions, including as lender, issuing bank, administrative agent and any other function formerly performed by SVB have now been assumed by the Bridge Bank;
2. All commitments to advance under existing credit agreements will be honored in accordance with and pursuant to the terms thereof;
3. Any other duties or roles under existing credit agreements will be performed by the Bridge Bank in accordance with and pursuant to the terms thereof; and
4. The Bridge Bank is not in FDIC receivership.

The announcement contained a link to the asset transfer agreement (the “Transfer Agreement”) between the FDIC, as receiver of SVB, and the Bridge Bank.

The announcement can be found here: <https://www.svb.com/news/company-news/silicon-valley-bridge-bank-n.a.-in-operation-details-for-counterparties>

We are reviewing the Transfer Agreement and will provide further updates following that review. 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.