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How a Bank Run Closed SVB and Where That Could Lead

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March 10, 2023, 8:50 AM CST *Updated on March 10, 2023, 1:46 PM CST*

From **Bloomberg QuickTake**

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As the only publicly traded bank focused on Silicon Valley and new tech ventures, SVB was deeply embedded in the US startup scene. According to its website, it did business with nearly half of all US venture capital-backed startups and 44% of US venture-backed tech and health-care companies that went public last year. Its website lists

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firm CrowdStrike Holdings among its clients. On March 8, its parent company, SVB Financial Group, announced it had sold $21 billion of securities from its portfolio at a loss of $1.8 billion and would sell $2.25 billion in new shares to shore up its finances. That unnerved a number of prominent venture capitalists, including Peter Thiel's Founders Fund, Coatue Management and Union Square Ventures, which were said to have instructed their portfolio businesses to pull their cash from the bank. By March 10, the effort to raise new equity or find a buyer had been abandoned, and the bank was put into receivership by the Federal Deposit Insurance Corp.

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broader worries in banking. Behind most of them are the rapid interest-rate increases pushed through over the last year by the US Federal Reserve to tame the highest inflation in decades. One consequence of those hikes that hit SVB especially hard was the sharp downturn in the high-flying tech companies that had been the source of its rapid growth; most banks have broader customer bases. As venture capital dried up, SVB's clients tapped their deposits to withdraw cash they needed to keep going.

> To keep up with the wave of withdrawals, SVB had to sell assets – including, crucially, bonds that had lost a substantial portion of their value. That produced $1.8 billion in losses that wouldn't have hit the bank's balance sheet had the bonds been held to maturity. Here, too, SVB's funding structure had made it particularly vulnerable. All US lenders park a chunk of their money in