



Below is an overview of the failure of Silicon Valley Bank (SVB) and what we expect to happen next. This reflects information as of 4:00 p.m. PT on March 11, 2023. We note that it is an evolving situation; we will provide updates as warranted in the coming days. **Please contact your Perkins Coie lawyer or email PCBankingTaskForce@perkinscoie.com with questions or for assistance.**

Also, please see the [FDIC's response to frequently asked questions](#) relating to this situation.

Silicon Valley Bank Entered Receivership: What Happened and What Happens Next

Moments before the start of business hours in California on March 10, 2023, the Federal Deposit Insurance Corporation (FDIC) announced that Silicon Valley Bank (SVB) had been placed into receivership, capping a turbulent week that saw runs on deposits held at the bank and a rapid decline in the value of shares in its holding

company, SVB Financial Group (Nasdaq: SIVB). SVB's failure is the second largest in U.S. history and came only days after Silvergate Capital Corporation, the parent company of Silvergate Bank, announced that it would voluntarily liquidate that bank.

The FDIC created a new entity, the Deposit Insurance National Bank of Santa Clara (DINB), into which it transferred all assets formerly belonging to SVB.

- SVB customers will have claims against DINB in accordance with the FDIC receivership process. DINB will open for business at all branches of SVB on Monday morning, March 13, 2023; customers also will be able to access on-line banking and obtain other services no later than that time.
- Automated banking services (e.g., automatic payments, direct deposit, etc.) will continue uninterrupted, ATM/debit cards will continue to work, and checks drawn on SVB will be honored for a limited time. We expect the FDIC will announce an end date for these services, but that date is not yet known.
- Lines of credit with SVB are frozen as of March 10, 2023. DINB also will not allow overdrafts of accounts. Customers with ongoing (or urgent) credit needs should make arrangements with another financial institution as soon as possible.
- The FDIC has provided [additional information on its website](#).

The FDIC has access to, and will use, SVB's books and records to make funds available to customers. FDIC announced that depositors do not need to file a claim or take any other action at this time.

- Customers will be able to access insured deposits through ordinary SVB channels (i.e., the website, APIs, or online portals) no later than the start of business hours in California on Monday, March 13, 2023, or at SVB branches on that day.

Customers will have access to *insured* deposits no later than Monday, March 13.

- The federal deposit insurance limit is \$250,000 per depositor. That is, the insured portion of funds on deposit is capped at \$250,000). Customers can [verify their insurance status through the FDIC's website](#).
- Amounts on deposit above \$250,000 are not insured or otherwise guaranteed and access to them will occur as described below, pending additional information from the FDIC.
- FDIC insurance only applies to *deposit* accounts (e.g., checking accounts, money market deposit accounts, certificates of deposit). *Investment* accounts are not eligible for FDIC insurance.

A portion of *uninsured* deposits at SVB will be made available to customers within the next week in the form of an "advance dividend" payment; the amount is not yet known.

- The FDIC will pay an "advance dividend" to customers by Friday, March 17, 2023, representing a portion of amounts on deposit exceeding the \$250,000 per customer insurance limit.
- Although the portion of uninsured funds to be made available is not yet known, historical precedents suggest it could be 30-50% of the estimated recovery amount. Customers should plan conservatively, however, because the estimated recovery amount is not yet known.
- The FDIC may make future advance dividend payments to customers with uninsured deposits. Timing and amounts are not known at this time.

Deposit insurance limits are \$250,000 per depositor, not per account.

- The deposit insurance limit applies on a per depositor basis, not a per account basis. That is, a legal entity with funds on deposit at SVB generally will be entitled to up to \$250,000 regardless of the number of deposit accounts it may have held.

- Deposits held in an agency or custodial capacity on behalf of others (for example, a company's own customers) may be eligible for "pass-through" deposit insurance coverage if all of the following three conditions are satisfied:
 - First, SVB's account records must disclose the existence of an agency or custodial relationship by titling the account as "Company X, as Agent for Company X Customers" (or similar).
 - Second, Company X's records must disclose the identities and the amount owned by each Company X Customer.
 - Third, the funds in the deposit account at SVB must actually be owned by the Company X Customers pursuant to Company X's agreements with the Company X Customers.

Customers' ultimate recovery of uninsured deposits is unknown at this time.

- As receiver, the FDIC's mandate is to make depositors whole to the extent possible in light of SVB's assets. Depositors receive priority over all other creditors.
- We do not yet know enough about SVB's assets and liabilities to assess the percentage of uninsured deposits that will be recovered. Additional information will likely emerge starting next week.
- A complete recovery will take as long as it takes the FDIC to liquidate SVB's assets. [Based on historical precedents](#), the process could take months (or years), but the FDIC will attempt to provide advance dividend payments as feasible in the interim.
- **Additional considerations and next steps for SVB customers:**
 - *Gather your bank records:* The FDIC will use SVB's books and records to determine each customer's recoverable funds but maintaining your own records may be helpful in the case of discrepancies. Your records also will help determine what accounts you have with the bank, how the accounts are titled, and the asset balances you hold.
 - *FDIC has advised customers to make loan payments as usual:* The FDIC has directed loan customers to continue making their SVB loan payments as usual. Many SVB loans will be sold and the FDIC will inform borrowers in advance before their loans are sold to another institution.
 - *Be aware of phishing scams:* bad actors may take advantage of the confusion to prey on unsuspecting depositors to wire money, grant access to accounts or sensitive information (Social Security numbers, account numbers), act as a facilitator, etc. Make sure to vet where you are obtaining your information and who is offering to help. The FDIC has noted that you will not receive any communications from them requesting any private information. If you are contacted by anyone requesting private information from you related to this event, contact the FDIC Call Center at 1-866-799-0959.
- We will provide updates on the [Founder Insights](#) blog as developments occur.

© 2023 Perkins Coie LLP

Authors



[Troy Foster](#)

Partner

TroyFoster@Perkinscoie.com [650.838.4466](tel:650.838.4466)



Logan S. Payne

Counsel

LPayne@perkinscoie.com [202.654.6265](tel:202.654.6265)



James F. Vivenzio

Senior Counsel

JVivenzio@perkinscoie.com [202.654.6200](tel:202.654.6200)

Explore more in

[Bankruptcy & Restructuring](#) [Corporate Governance](#) [Emerging Companies & Venture Capital Law](#)
[Labor & Employment](#) [Mergers & Acquisitions](#)

Related insights

Update

[FERC Meeting Agenda Summaries for October 2024](#)

Update

[New White House Requirements for Government Procurement of AI Technologies: Key Considerations for Contractors](#)