NEWS SILICON VALLEY BANK

Regulators close Signature Bank, second shuttered by feds after SVB disaster

By David Propper, Lydia Moynihan and Bruce Golding

March 12, 2023 | 7:41pm | Updated

MORE ON:
SILICON VALLEY BANK

Bitcoin leads crypto rebound after SVB collapse sparked selloff

Biden's rescue of 'pro-Democrat' SVB clients slammed: 'They're looking after their own'

Bank customers will pay for SVB bailouts through higher fees, cuts in services

Nikki Haley, GOP pols say taxpayers will foot the bill for Biden bank 'bailout'

The federal government Sunday announced the failure of a second bank with deep ties to the tech industry — as regulators rushed to try to stem the losses caused by last week's collapse of Silicon Valley Bank.

Manhattan-based Signature Bank — a key financial institution for the cryptocurrency industry — was shut down over a "similar systemic risk exception," according to a joint statement from the heads of the US Treasury, Federal Reserve and Federal Deposit Insurance Corp.

Silicon and Signature depositors will be made whole, but the banks' shareholders and unsecured debtors will not be protected, officials said.

The Federal Reserve said it will create a new Bank Term Funding Program to offer depository institutions loans of up to one year, backed by US Treasury securities and other assets, to help the banks.

The feds said the steps they are taking "will ensure that the U.S. banking system continues to perform its vital roles of protecting deposits and providing access to credit to households and businesses in a manner that promotes strong and sustainable economic growth."

Signature Bank was closed Sunday by its state chartering authority.
Kevin C. Downs for NY Post

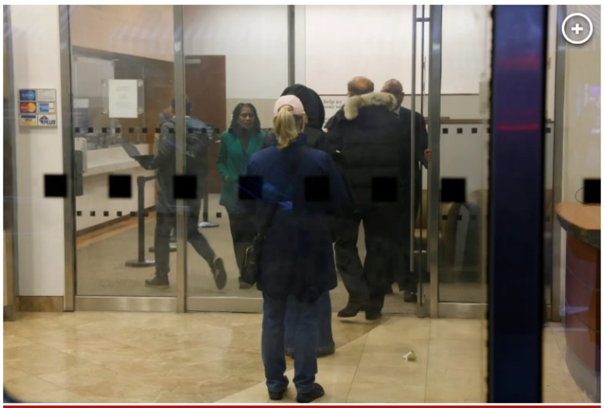
The California-based Silicon Valley had $209 billion in assets when it failed Friday, while Signature Bank had more than $110 billion.

Silicon was the second-largest bank to collapse in US history, after Washington Mutual in 2008. Signature was the third-largest.

President Biden on Sunday praised the feds for finding a "prompt solution" that "ensures that taxpayer dollars are not put at risk."

"The American people and American businesses can have confidence that their bank deposits will be

there when they need them," Biden said.



Kevin C. Downs for NY Post

But hedge funder Thomas Hayes of Great Hill Capital told The Post, "It only took two days of seeing regional banks crash to do the right thing."

A tech insider added, "Regulators blew it badly in letting it get to this, but this was the best way to prevent contagion."

A banking source in San Francisco called the developments "good for depositors, but it is more regulation — and it moves us closer to nationalizing banking."

Meanwhile, Signature Bank executives are calling wealthy clients, begging them to stay, and telling them "your money is safe here," a source told The Post.

"I was ready to pull everything, now I'm reconsidering. There's no promise anywhere else is safer," the source said. "I'm still going to be pulling some money … we shouldn't have to even have that conversation."

The government's extraordinary action came hours after Treasury Secretary Janet Yellen publicly said the government wouldn't bail out Silicon Valley Bank, a favorite of tech startups focused on climate change, as well as California wineries.

Appearing on CBS' "Face the Nation," Yellen balked at a government rescue of the nation's 16th-largest bank, as was done for hundreds of institutions in 2008 over the subprime mortgage meltdown.

"During the financial crisis, there were investors and owners of systemic large banks that were bailed out," Yellen said. "And the reforms that have been put in place means that we're not going to do that again."

Yellen also insisted that officials were "concerned about depositors and are focused on trying to meet their needs."

"I've been working all weekend with our banking regulators to design appropriate policies to address this situation," Yellen said. "I can't really provide further details at this time."

Yellen's subsequent statement with Fed Chair Jerome Power and FDIC Chairman Martin Gruenberg said taxpayers wouldn't have to cover any of the banks' losses, an apparent reference to the Bank Term Funding Program.

Customers were widely expected to make a Monday morning run on Silicon Valley Bank and potentially many others.

Signature bank had about $110.36 billion in total assets and $88.59 billion in deposits as of Dec. 31, 2022.

Bloomberg via Getty Images

Fox Business senior correspondent Charlie Gasparino tweeted Sunday afternoon that "major financial players" had told the White House "to expect significant bank runs and massive market turbulence Monday barring a solution to SVB collapse."

"Businesses realizing that their short-term deposits w banks are in jeopardy due to @FDICgovlimits. Theyre preparing to yank money out of mid-sized financial institutions Mon, banking execs say," he wrote.

SEE ALSO

JPMorgan analysts warned about Silicon Valley Bank's $16B in 'unrealized losses' in November

Earlier, Gasparino, a Post columnist, tweeted that depositors were "being told they will receive 30% to 50% of their money on Monday," citing bankers with knowledge of the situation.

Gasparino added that bank customers will get "most of the rest over time if there is no solution ie complete @FDICgov coverage or sale."

Hedge fund billionaire Bill Ackman of Pershing Square Capital Management also raised the specter of a massive economic meltdown in a rambling, 649-word tweet Saturday morning that warned the government had "about 48 hours to fix a soon-to-be-irreversible mistake."

"Absent @jpmorgan@citi or @BankofAmerica acquiring SVB before the open on Monday, a prospect I believe to be unlikely, or the gov't guaranteeing all of 's deposits, the giant sucking sound you will hear will be the withdrawal of substantially all uninsured deposits from all but the 'systemically important banks' (SIBs)," the activist investor wrote.

"These withdrawals will drain liquidity from community, regional and other banks and begin the destruction of these important institutions."

During an appearance on "Fox & Friends," Gasparino called the collapse of Silicon Valley Bank "a warning sign of just how screwed up the plumbing in our banking system and our economy is.

"I mean, let's mean rewind videotape a little bit here. You know, we've had years and years of printing money by the Federal Reserve. Way too much," he said. "Even when we were coming out of the pandemic, we had the Biden administration spending a lot of money. You know, you do stuff like that, you mess with the economy like that … you're gonna have some, some stuff that happens."

Additional reporting by Jesse O'Neill and Post wires

FILED UNDER BANKRUPTCY, BANKS, SILICON VALLEY, SILICON VALLEY BANK, 3/12/23

READ NEXT Shaq allegedly in hiding as lawyers fail to serve him over...

Sucker's trade. Crypto will be outlawed when CBDCs are instituted.

Reply · 17 · Share

1 reply

Show 1 more reply

BM **Big Billy Lunch Meat Lunch Meat**

23 hours ago

Depositors of SVB, which collapsed Friday, will have "access to all of their money" starting Monday and "no losses will be borne by the taxpayer," the feds also said Sunday.

Who is writing this check? They will slip this right into the taxpayer fund. The government is not a producer of capital, they...

See more

Reply · 161 · Share

TM **Tre Ma**

22 hours ago

The report is that any shortfall will come from stockholders and unsecured creditors with no taxpayer funds involved.

Reply · 22 · Share

7 replies

LM **Long Memory**

19 hours ago

Look up bank bail in as opposed to bank bail out.

The fed had a meeting on it(is on the net) a couple of months ago. They discussed bail in and how to implement. In the meeting they said Friday afternoon to avoid runs on banks.

This is planned activity.

Reply · 6 · Share

1 reply

Show 2 more replies

Show More Comments

Powered by OpenWeb — Terms | Privacy | Feedback

92 People Reacted

What's your reaction to this article?

Top Notch	So-so	Next!
261	9	25

MORE STORIES

PAGE SIX

Kathie Lee Gifford stumbles as she's seen with beau Richard Spitz for first time

NYPOST

From the Biggest A--hole to the Most Selfish Nominee: My uncensored Oscars awards