Silicon Valley Bank and Signature Bank: Dealing with the FDIC Powers in Receivership and Bridge Bank Scenarios

By Giorgio Bovenzi, Brian Y. Sung, Craig Unterberg | March 15, 2023

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- Two banks, Silicon Valley Bank and Signature Bank, failed and were put into FDIC receiverships over the weekend
- The FDIC then formed two bridge banks and initially transferred all deposits, qualified financial contracts, and substantially all assets to each bridge bank
- After much market uncertainty regarding the status of contracts and other obligations held by the failed banks, on March 14, the FDIC clarified that all contracts were also transferred to the bridge banks
- The bridge bank regime under the FDIA is substantially different than the regime under an FDIC receivership, and this Alert highlights some guiding concepts in that respect

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On March 10, 2023, the California Department of Financial Protection and Innovation (**DFPI**) issued an order closing Silicon Valley Bank (**SVB**) and appointed the Federal Deposit Insurance Corporation (**FDIC**) as receiver. The DFPI's drastic intervention meant that all regulatory tools to prevent failure were deemed inadequate or no longer timely in the face of the March 9 bank run on SVB.

Then, on March 12, 2023, the New York State Department of Financial Services (**NY DFS**) took possession of Signature Bank (**Signature Bank**) and appointed the FDIC as receiver.

Upon the DFPI's and the NY DFS's orders, the FDIC stepped into the banks' shoes and succeeded to all rights, powers and interests of the failed depository institutions, their officers, directors and shareholders, and acquired plenary power to administer their affairs.

The current situation has presented uncertainties for clients. This alert addresses certain of them.

Read the full alert here.

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