

A Few Minutes Series

Subject - Economy

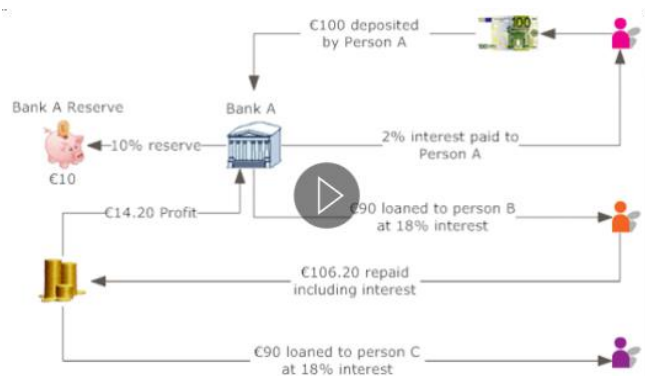
Date - 16th March 2023

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SVB Collapse

- 16th largest bank in the United States
- Headquartered in Santa Clara, California
- Focus on start-ups and venture capitalists
- SVB is held by SVB Financial Group

How do Banks work?

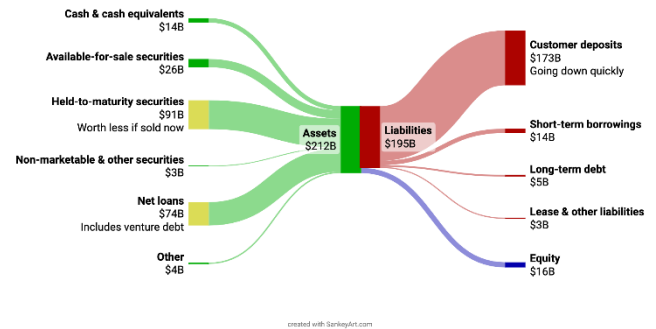


Story of SVB

- **SVB Activities**
 - Deposits of Startups
 - Loans
- **Flushed with cash from high-flying startups**
- Deposits were channelised towards investments
(Held to maturity Securities)
- **Federal Reserve began raising interest rates last year to cool inflation.**
- **Funding Winter**
 - Startups started to withdraw their money

- SVB was forced to sell some of its investments at loss

Silicon Valley Bank Balance Sheet (Dec 31 2022)



created with SankeyArt.com

SVB FINANCIAL GROUP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except par value and share data)	December 31,	
	2022	2021
Assets		
Cash and cash equivalents	\$ 13,803	\$ 14,586
Available-for-sale securities, at fair value (cost of \$28,602 and \$27,370, respectively, including \$530 and \$61 pledged as collateral, respectively)	26,069	27,221
Held-to-maturity securities, at amortized cost and net of allowance for credit losses of \$6 and \$7 (fair value of \$76,169 and \$97,227, respectively)	91,321	98,195
Non-marketable and other equity securities	2,664	2,543
Total investment securities	120,054	127,959

Asset/Liability Management

- Process of managing the use of assets and cash flows to reduce the firm's risk of loss from not paying a liability on time.
- Some of the most common risks addressed by ALM are interest rate risk and liquidity risk.

$$\text{Asset Coverage Ratio} = \frac{(\text{BVTA} - \text{IA}) - (\text{CL} - \text{STDO})}{\text{Total Debt Outstanding}}$$

where:

BVTA = book value of total assets

IA = intangible assets

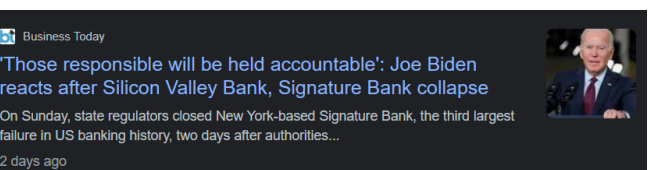
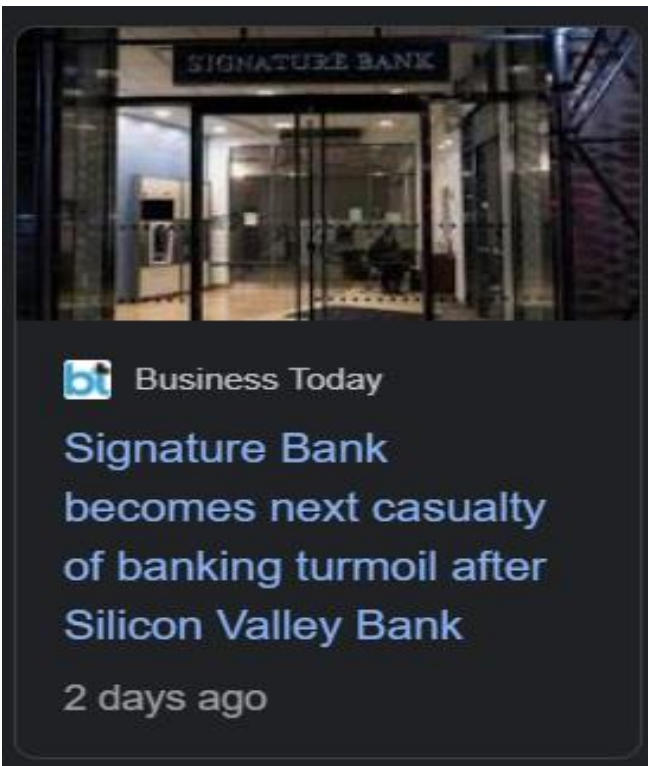
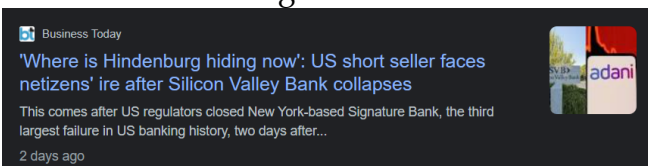
CL = current liabilities

STDO = short term debt obligations

Course of Action

- **Deposit Insurance National Bank of Santa Clara** was immediately set up to absorb SVB's business.
- It has been formally placed in receivership under the **Federal Deposit Insurance Corporation (FDIC)**.

- Depositors up to \$250,000 will be eligible for insurance covered by FIDC; for the rest, a formula is being worked out.
- SVB being among the popular lenders in the start-up and venture capital space, their customers are likely to face near-term crunch in funding.
- A new entity called the **Bank Term Funding Program (BTFP)** will offer loans of up to one year to banks, savings associations, credit unions, and other eligible institutions.



Impact On India

- **Y-Combinator** one of the key clients of SVB has in turn invested in over 19 start-ups in India.
- For, mutual fund investors, those **Indians investing in international and international hybrid funds** will be affected.
- The **funding winter**, which was already catching up in the start-up space, may intensify.
- Employee retention challenge for startups.

Here are the Indian companies with funding from SVB, as per Tracxn data:

Company	Founded Year	Total Funding (USD)
Shaadi	1996	8,000,000
CarWale	2003	9,873,512
Asklalla	2006	12,000,000
Sarva	2013	12,281,001
Games2win Media	2005	13,085,782
Loylty Rewardz	2006	28,270,232
PubMatic	2006	31,000,000

Drip Capital	2014	85,120,000
Numerify	2012	88,000,000
TutorVista	2005	102,250,000
BlueStone	2011	111,502,585
Naaptol	2008	133,305,783
Icertis	2009	520,000,000
Paytm Mall	2009	808,241,000
Paytm	2009	4,637,862,461

संभव

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