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BANK RUN AND SILICON VALLEY BANK

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Abstract

Our research topic is "Bank Run and Silicon Valley Bank" in which we explore the phenomenon of bank runs and the bankruptcy of Silicon Valley Bank (SVB), a leading lender in the US tech industry. This study provides the reasons behind a bank run and demonstrates how it impacts various stakeholders by analyzing the specific case study of SVB. The primary objective of this research is to investigate the reasons for SVB's bankruptcy and the role of the Federal Deposit Insurance Corporation (FDIC) in resolving it. Additionally, we also analyze the impact of the bank run on SVB's stakeholders and the Vietnamese market. Through our research, we found that the Federal Reserve raising the interest rate, the maturity mismatch caused by SVB's investment strategy, and the spread of rumours were the main reasons that caused the bank run. During this event, the FDIC's intervention helped mitigate the impact on stakeholders by assuring the rights of depositors and maintaining their belief in the banking system. Furthermore, the research shows that SVB's bankruptcy could not seriously harm the banking system or cause a "domino effect" on the financial or economic system. Finally, this event seemed to indirectly affect the Vietnamese market when it effects to psychological factors and the reduction of Foreign Direct Investment (FDI).

Keywords: *Bank run; Silicon Valley Bank (SVB); Federal Deposit Insurance Corporation (FDIC); maturity mismatch; Vietnamese market; Liquidity shock.*

1. Introduction

Bank runs are a well-known phenomenon in the financial world, but their effects can be devastating. When depositors lose confidence in a bank and rush to withdraw their funds, it can trigger a domino effect that leads to the bank's insolvency and potentially even a broader economic crisis. Banking's history experienced examples of bank runs, from the Great Depression (1929-1939) to more recent events like the 2008 financial crisis. This article will explore the concept of bank run and examine a specific case study - the Silicon Valley Bank's bankruptcy.

Our main arguments are about:

● How SVB faced a bank run that resulted from its risky investment and loss of confidence among customers and regulators.

● How this event affected SVB and other stakeholders in terms of financial losses, operational disruptions, and reputational damage.

● Finally, we will analyze how this event affects the Vietnamese market.

Through this analysis, we will gain a deeper understanding of the risks inherent in the banking system, and the measures that can be taken to safeguard it against such crises.

2. Literature review

2.1. Bank run

2.1.1. Definition

A bank run occurs when a large number of depositors withdraw their money from a bank at the same time, fearing that the bank might fail or collapse. As more people withdrawal, the probability of default increases, which can cause more people to withdraw their deposits. In extreme cases, the bank's reserves may not be sufficient to cover the withdrawals (Hayes, 2023). Eventually, the sudden outflow of funds can deplete the bank's reserves and force it to close its doors.

2.1.2. Reasons for a bank run

There are many reasons for a bank run, but the two main ones are loss of depositors' confidence and financial contagion. Firstly, a loss of confidence in the bank can be the most significant reason for a bank run. Once a loss of confidence sets in, it can be challenging for a bank to regain the trust of depositors and can quickly snowball into a bank run. This situation can happen due to various reasons: rumors and panic; fraudulent activities; economic downturn; and political instability.

One of the main factors contributing to a bank run is the spread of fear among depositors that their bank might go out of business. This fear can be triggered by rumors, news reports, social media posts, or word-of-mouth. Therefore, the panic makes customers act immediately without verifying the information (ClearIAS, 2023). Another reason is fraudulent activities. A bank is found to have engaged in fraudulent activities, such as hiding bad debts or manipulating financial statements, depositors may lose trust in the bank and worry about the safety of their money. A general economic downturn, such as a recession, can also lead to a loss of confidence in the financial system as a whole. During an economic crisis, a bank that had heavily invested in a particular industry or geographic area, which experiencing financial difficulties may face great losses. In such a situation, people may be afraid of losing their savings, and they may rush to withdraw their deposits from the bank. Last but not least, political instability can lead to a bank run if people are afraid that their savings may be seized by the government or that the country's financial system may collapse.

For example, the case of Lehman Brothers that had invested heavily in real mortgage-backed securities (MBS) by 2008. When the housing market in the United States began to decline, Lehman Brothers' investments in these securities began to lose value, which led to substantial losses and a decline in the firm's overall financial health. Ultimately, Lehman Brothers suffered from a bank run, leading its bankruptcy in 2008.

The second reason for a bank run to happen is financial contagion. A bank run can also spread from one bank to another through a domino effect. If one bank fails or faces liquidity problems, it can affect other banks that are connected through the banking system. This can create a systemic risk for the entire banking sector and cause widespread panic among depositors (WallStreetMojo, n.d).

For instance, when Lehman Brothers declared bankruptcy on September 15, 2008, it caused a domino effect throughout the financial system. Other banks and financial institutions that had financial activities with Lehman Brothers through their investments and trading activities (for example, they had invested money in Lehman Brothers' stocks or bonds) became concerned that they would not be able to get their money back or that they would suffer losses as a result. This concern led to a broader financial crisis, as investors and businesses began to lose confidence in the stability of the financial system as a whole.

2.2. Silicon Valley Bank (SVB)

The latest and dramatic example of a bank run is the case of Silicon Valley Bank, which collapsed and was closed by regulators in March 2023 after losing most of its deposits in a matter of days.

Silicon Valley Bank was founded in 1983 by Bill Biggerstaff, Ken Wilcox, and Rebeca Hwang (Cause IQ, n.d). Initially, the bank was established to provide banking services to the technology industry in Silicon Valley.

Over time, Silicon Valley Bank, known as one of the largest and most influential banks in the technology industry, provided financing and services to thousands of start-ups, entrepreneurs, and investors. Its failure also led to the bankruptcy of its parent company SVB Financial Group (SVBF), which owned other businesses such as an investment manager and a brokerage firm.

3. Results and Discussion

3.1. How did Silicon Valley Bank go bankrupt?

As the tech industry in Silicon Valley prospered in the last five years, SVB also benefited. But most importantly, during the Covid 19, FED lowed the interest rate to nearly 0% to increase the M1 Money Supply (Investopedia, 2023), and technological startups were invested more. Therefore, SVB was flooded with billions of deposits from young companies flush with investors' cash (Armstrong, 2023).

SVB's deposits increased more than four times (The Economist, n.d) (mainly from startups and venture capital firms) from $44bn at the end of 2017 to $189bn at the end of 2021 - while its loans only rose from $23bn to $66bn in the same period. Since banks earn money on the difference between the interest rate they charge on loans and the rate they receive from depositors, having much more deposits than loans is a challenge.

In 2020, SVB took this short-term deposit to buy MBS (Mortgage Backed Securities) and Long-term Government Bonds. Considering SVB's balance sheet in 2021, we can see that:

- Total Deposits skyrocketed by nearly 85.53% compared to the 2020.
- Non-interest-bearing demand deposits soared by nearly 90% compared to 2020, accounting for 66.52% of total deposits.
- Credit (loans) grew slowly (47.22%) compared to the growth of total deposits (85.53%).
- However, The number of securities held to maturity (HTM) skyrocketed nearly five times compared to 2020 (mainly government bonds).

Therefore, short-term deposits were used to buy long-term securities, which poses many risks because market interest rates may fluctuate over time, causing a deficit in the value of bonds.

SVB FINANCIAL GROUP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except par value and share data)	December 31, 2021	2020
Assets		
Cash and cash equivalents	$ 14,619	$ 17,675
Available-for-sale securities, at fair value (cost of $27,370 and $30,245, respectively)	27,221	30,913
Held-to-maturity securities, at amortized cost and net of allowance for credit losses of $7 and $0 (fair value of $97,227 and $17,217, respectively)	98,195	16,592
Non-marketable and other equity securities	2,543	1,802
Total investment securities	127,959	49,307
Loans, amortized cost	66,276	45,181
Allowance for credit losses: loans	(422)	(448)
Net loans	65,854	44,733
Premises and equipment, net of accumulated depreciation and amortization	270	176
Goodwill	375	143
Other intangible assets, net	160	61
Lease right-of-use assets	313	210
Accrued interest receivable and other assets	1,928	3,206
Total assets	$ 211,478	$ 115,511
Liabilities and total equity		
Liabilities:		
Noninterest-bearing demand deposits	$ 125,851	$ 66,519
Interest-bearing deposits	63,352	35,463
Total deposits	189,203	101,982

Figure 1: SVB Financial Group and Subsidiaries Consolidated Balance Sheets

Source: SIVB's 2021 annual report

Before the big market swings, SVB used 92% of its investment in US Treasuries and government-sponsored corporate securities amounting to $117 billion (including Available-For-Sale (AFS) and Held-To-Maturity (HTM)).

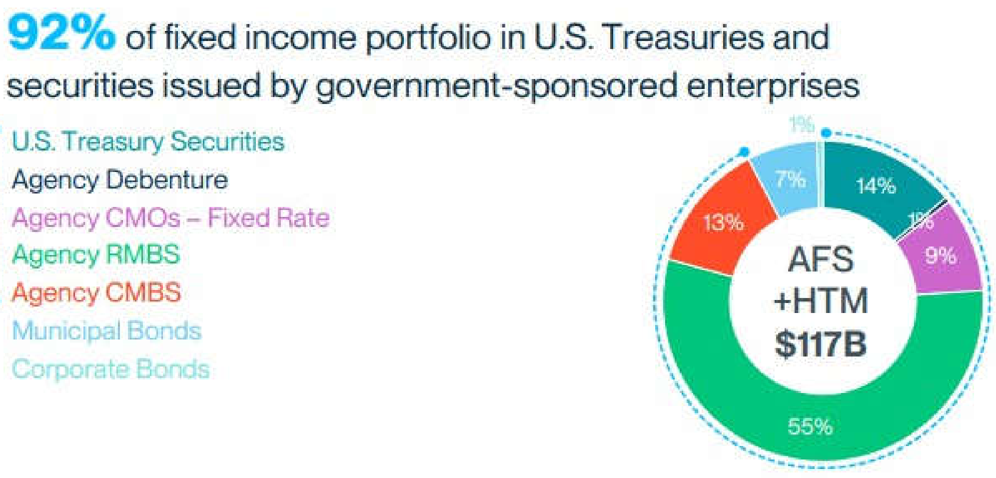

Figure 2: SVB's investment portfolio in 2021

Source: Diendandoanhnghiep.vn

Difficulties began to occur for SVB in March 2022 when the Fed (Federal Reserve System) continuously raised interest rates from 0% to 4.75% to prevent inflation from occurring. That has caused SVB's bonds to suffer heavy losses.

Significant increase in interest rates due to Fed's actions and monetary policy has resulted in dramatic losses for SVB on March 31, 2022, a loss of $2.5 billion in AFS securities, recorded in the "unrealized holding loss" in the income statement because these securities were not been sold, so it is not recognized as "real loss".

On March 8, 2023, SVB announced the completion of the sale of substantially of its available for-sale (AFS) securities portfolio. A massive withdrawal of deposits was triggered by investors and customers, amounting to $42 billion in one day.

Contrary to SVB's expectations, this caused panic among venture capital firms and they advised businesses to withdraw money from the bank. SVB has been trying to convince its customers that everything is fine and people should not withdraw money anymore. However, this is useless against a panicking crowd.

After a series of efforts from SVB, until Friday, March 10, 2023, SVB's stock continued to decrease and the bank officially declared bankruptcy. At that time, the FDIC stepped in as a receiver to liquidate the bank's assets to return them to customers, including depositors and creditors.

3.2. The reasons for SVB's bankruptcy

3.2.1. FED raised the interest rate

The Fed raised the interest rates, leading to many negative impacts on SVB, the most negative impact being significant loss from the securities, startups, and venture capital firms seeking funds.

SVB was given so much money, almost $130 billion in new deposits in 2020 and 2021 that SVB could not lend it all out. They invested much of the money in long-term US government-backed bonds. The bonds have no credit risk, and because SVB's deposits cost almost nothing, they were profitable, too.

But this balance structure could only work while rates remained low. As the Federal Reserve raised the market yield on the US. Treasury Securities increased from 0 to approximately 4.75% to control inflation, deposits became more expensive. In 2022, SVB's deposit costs rose from 0.14% to 2.33%.

However, it still lost its competitiveness, as the yields on its long government bonds did not change, causing a significant loss in the balance sheet. We can understand that the market interest rate increase, the value of bonds decrease, and vice versa.

Consider the Comprehensive Income Statements of SVB Financial Group in 2022, $2.5 billion of securities losses was recorded in "unrealized holding losses" in the income statement (because on December 31st, 2022, these securities were not sold yet, they could not be recorded as "real loss"). The loss of $ 2.5 billion from securities makes SVB's Comprehensive Income (IC) from a profit of $ 1.201 billion in 2021 to a loss of $ 230 million in 2022.

SVB FINANCIAL GROUP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in millions)	Year ended December 31, 2022	2021	2020
Net income before noncontrolling interests	$ 1,609	$ 2,073	$ 1,294
Other comprehensive income (loss), net of tax:			
Change in foreign currency cumulative translation gains and losses:			
Foreign currency translation gains (losses), net of hedges	(54)	(2)	16
Related tax benefit (expense)	15	—	(5)
Change in unrealized gains and losses on AFS securities:			
Unrealized holding gains (losses)	(2,503)	(644)	606
Related tax benefit (expense)	686	179	(168)
Reclassification adjustment for (gains) losses included in net income	(21)	(31)	(61)
Related tax expense (benefit)	6	9	17
Cumulative-effect adjustment for unrealized losses on securities transferred from AFS to HTM	—	(132)	—
Related tax benefit	—	37	—
Amortization of unrealized holding (gains) losses on securities transferred from AFS to HTM	13	(1)	2
Related tax expense (benefit)	(4)	—	(1)
Change in unrealized gains and losses on cash flow hedges:			
Unrealized gains (losses)	—	—	232
Related tax (expense) benefit	—	—	(64)
Reclassification adjustment for gains included in net income	(56)	(63)	(50)
Related tax expense	16	17	14
Other comprehensive income (loss), net of tax	(1,902)	(632)	538
Comprehensive income (loss)	(293)	1,441	1,832
Comprehensive (income) loss attributable to noncontrolling interests	63	(240)	(86)
Comprehensive income (loss) attributable to SVBFG	$ (230)	$ 1,201	$ 1,746

Figure 3: SVB Financial Group and Subsidiaries Consolidated Statements of Comprehensive Income

Source: SIVB's 2022 annual report

The second negative impact after the Fed raises interest rates is Startups and venture capital companies looking for funds. Due to the virtually 0% interest rate during the COVID-19 epidemic, more money was invested in technological businesses. As a result, SVB received billions of deposits from businesses flush with capital from investors. Unfortunately, these companies found it difficult to raise money once the FED raised the interest rate (the interest rate and the amount of money spent for investment have a negative correlation), so they started taking money out of the bank.

With the same results, when the Venture capital's investment activities plummeted by 68% in 2022, they also struggled to raise funds. These clients need to withdraw their deposits to cover their operations. With a series of adverse impacts from many sides, SVB could not manage capital and faced an increasingly serious withdrawal crisis.

3.2.2. Maturity Mismatch: failed to control the liquidity risk

It is easy to see that SVB's deposits are mainly growing thanks to non-interest-bearing demand deposits (up to 66.52% of total deposits). However, they invested in long-term securities, generating the Maturity Mismatch and the bank failed to balance the short-term liquidity.

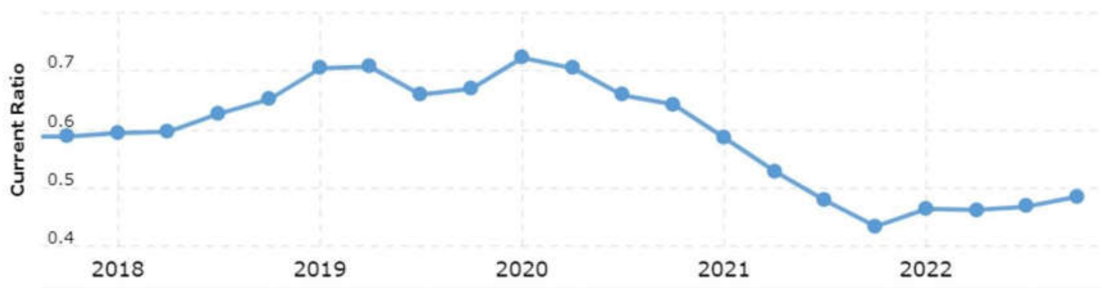

Figure 4: SVB Financial Group Current Ratio 2018-2022

Source: macrotrends.net

The current ratio of SVB Financial Group (SIVB) for 2021 was 0.431, and for 2022 was 0.491 (macrotrends, n.d). Both years have current these ratios lower than 1, meaning current assets were lower than current liabilities and the bank could deal with difficulties in paying short-term debts.

The industry average current ratio for banks in the United States was 0.77 in 2021 and 0.79 in 2022 (Silicon Valley Bank, n.d). That means that SVB Financial Group had a lower current ratio than the industry average in both years, which may imply a lower liquidity and a higher risk of default compared to its peers.

A recent report surprisingly showed that the bank had been operating without a Chief Risk Officer (CRO) for eight months between April 2022 and January 2023 (Fortune, 2023). The former CRO, Laura Izurieta, stepped down in April 2022 and left the company in October 2022. The new CRO, Kim Olson, was appointed in January 2023 (Fortune, 2023). Without a CRO, the bank may struggle to identify, assess, and manage its risks effectively, leading to potential losses and in this case, cannot react promptly to market volatility.

3.2.3. The panicked crowd - Risk of Rumours

Although the bank planned to solve the problem by raising new equity from the venture capital firm General Atlantic, selling $2.25 billion in convertible stock and also selling some long-term bonds and reinvesting at shorter maturities with higher yields, investors and depositors did not wait to see if the plan would work (Franklin & Gara, 2023). Depositors were notified to withdraw money from SVB by panicked crowds because the bank had to sell their assets for debt payments.

Meanwhile, key venture capital firms constantly advised their companies to withdraw their money from the bank. Therefore, the situation became even worse. SVB’s shares and bonds depreciated while depositors rushed to pull their money to the amount of $42 billion in just 24 hours, forcing the Federal Deposit Insurance Corporation (FDIC) to step in.

3.2.4. The role of Federal Deposit Insurance Corporation (FDIC)

The Federal Deposit Insurance Corporation (FDIC) is an independent agency of the US government that protects depositors of insured banks against losses in case of bank failures. FDIC aims maintaining stability and public confidence in the national financial system. They notify on their website that: “No depositor has ever lost a penny of insured deposits since the FDIC was created in 1933” (FDIC, 2014).

The FDIC played a crucial role in resolving the bankruptcy of SVB after a massive run on deposits triggered by rumors of its financial troubles.

To protect insured depositors, the FDIC created the Deposit Insurance National Bank of Santa Clara (DINB) - a “bridge bank”. At the time of closing SVB, the FDIC as receiver immediately transferred to the DINB all insured deposits of Silicon Valley Bank.

The FDIC guaranteed all insured depositors having full access to their insured deposits (up to $250,000 per account) no later than March 13, 2023, ensuring that customers could access their money without disruption.

Uninsured depositors would be paid an advance dividend within the next week, and receive a receivership certificate for the remaining amount of their uninsured funds. When the FDIC finishes selling the assets of Silicon Valley Bank, future dividend payments may be made to uninsured depositors. On the other hand, shareholders and some unsecured debt holders of SVB are not protected.

In this case, we can see that FIDC wholly supports and protects the depositors. It aims preventing a wider contagion or the domino effect in the banking system and restoring confidence among depositors and investors. The FDIC's intervention also maintains the belief of the citizens in the bank system and avoids the depreciation of stocks in the banking industry (FDIC, 2023).

3.2.5. The impact of the bank run on stakeholders.

The first impact of the bank runs on stakeholders, specifically the banking system, raised the question of whether the bankruptcy of SVB could create a domino effect on the US banking system. The main answer depends on several factors, such as how quickly and smoothly the FDIC can sell off SVB's assets, how much confidence investors have in the financial health and resilience of other banks, how effectively regulators can monitor and prevent systemic risks and how well policymakers can support economic recovery amid the ongoing pandemic.

While some experts believe that SVB's failure is an isolated case that does not pose a systemic threat, others warn that it could be a sign of deeper problems in the banking sector that require urgent attention. In this case, our group think that the banking system could be affected, but not seriously, because:

The medium size business: The size of SVB (total assets of $212 billion - Much lower than the total assets of about $639 billion of Lehman Brothers in 2008) is considered not large enough, just medium size. Talking about SVB, the bank Moody's chief economist Mark Zandi said. "The banks that are now in trouble are much too small to be a meaningful threat to the broader system."

The small scope: SVB focuses on Silicon Valley tech startups. In spite of being among the top 20 American commercial banks, SVB is said to be relatively unknown outside of Silicon Valley. SVB was also not listed in the group of Global Systemically Important Banks (GSIB-s), which is a group of 30 banks that would affect the global financial system if one of them had problems.

Protection from FIDC: as mentioned above, FIDC is prioritizing the depositors' rights to maintain their beliefs and prevent the "Domino effect".

SVB had high-quality and liquid assets: SVB has total assets of $212 billion, of which profitable assets account for 97% of total assets. The two largest assets group are debt securities and loans, accounting for 55% and 35% of assets, respectively.

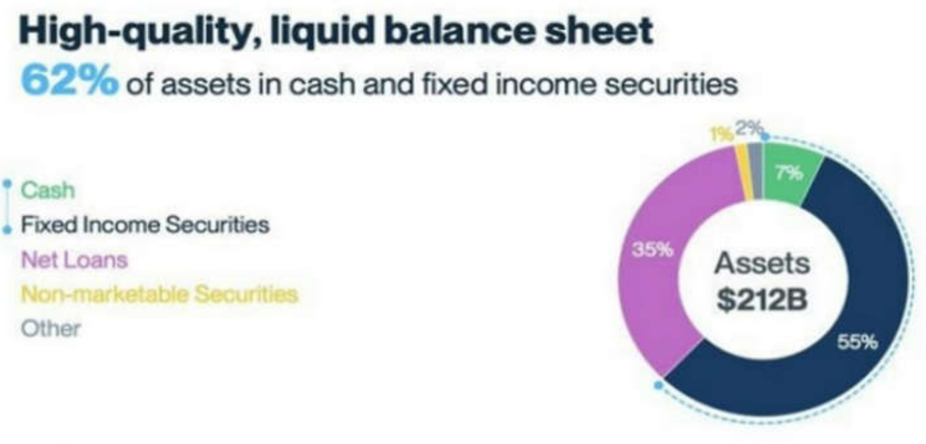

Figure 5: SVB's assets structure

Source: Diendandoanhnghiep.vn

Federal Reserve officials announced another 25 basis point (bps) increase in interest rates on March 22, 2023, shaking off concerns about the financial system's stability after the collapse of two regional banks (Guida, 2023).

However, the collapse of SVB has sent shockwaves through the US banking sector, proving that there's still a loophole in the banking system, especially among regional banks that have similar business models or investment strategies. Silicon Valley Bank may not be the only US struggling bank, because of the trend of US banks to invest in bonds. This situation is caused by not separating commercial banks and investment banks. Some of these banks have seen their share prices plummet as investors fear they could face similar problems. Overall, banks that operate well would not be affected much by the bankruptcy of SVB, and banks that operate similarly to SVB could face similar issues.

Without a doubt, parent companies of failed banks file for bankruptcy. The closure of Silicon Valley Bank left SVB Financial Group - the parent company of Silicon Valley Bank and a few assets and liabilities that exceeded its equity. On March 17, 2023, SVB Financial Group filed for bankruptcy protection in New York, seeking a court-supervised reorganization to help find buyers for its remaining businesses. Silicon Valley Bank, which now operates as Silicon Valley Bridge Bank, is not included in the bankruptcy filings and will continue to be controlled by the government (FDIC) (Lane, 2023).

Looking at the impact of the bank runs on depositors of SVB. As mentioned above, FDIC will give the insured depositors the amount of up to $250.000/account no later than March 13, 2023, ensuring that customers could access their money without disruption. With the uninsured depositors (more than $250.000 in their account), the payment might be done after FDIC finishes selling the assets of Silicon Valley Bank. However, FDIC is looking for another bank to assume the deposits and assets of Silicon Valley Bank, so it may take more time.

For creditors of SVB, as mentioned above, they are not protected by FDIC and having to file claims with the bankruptcy court and wait for a distribution plan that will determine how much they will recover from the liquidation of SVB's assets.

As for shareholders of SVB, they are also not protected by the FDIC, therefore they will likely lose most or all of their investment value. Furthermore, the FDIC also incur losses as it tries to reimburse insured depositors and find a buyer for the bank. The FDIC estimates that the cost of resolving Silicon Valley Bank could be up to $2 billion.

The employees of SVB may also face uncertainty and hardship as they deal with potential layoffs, reduced benefits and changes in management as the company tries to cut costs and sell its businesses.

The innovation ecosystem may suffer from reduced access to capital and networks. The tech industry may lose a significant source of funding and expertise as SVB was one of the most prominent lenders in this sector.

3.3. Relating to the Vietnamese market

The short-term impact will not be too great and the psychological factors of investors

According to Michael Kokalari, chief economist at investment fund VinaCapital, the SVB collapse by itself will end up being neutral for Vietnam's stock market and economy. He argued that the dynamics that negatively impacted Vietnam Government bonds (VGBs) and certain other regional US banks could not significantly affect the profitability or solvency of banks in Vietnam. That is because Vietnamese banks had much lower exposure to government bonds than SVB. VGBs holdings only accounted for around 6% of listed banks' total assets, and "held-to-maturity" (HTM) securities for less than 2%. That was much lower than the 5-10% levels typical for US regional banks, and far below the 45% for SVB. Moreover, depositors in Vietnam were not encouraged to withdraw their money from banks in times of crisis because the government was not likely to let the bank go bankrupt and always ensured that depositors were compensated during past banking crises.

Dr. Nguyen Tri Hieu and Economist Le Dang Doanh also affirmed that the closure of SVB will not affect internationally. It will not cause a chain reaction in Vietnam's financial and banking system, does not affect exchange rate adjustment, and the real estate market, but it only affects the psychology. The collapse of SVB could cause panic and pessimism among investors in global financial markets, leading to a decline in stock and bond prices. That can indirectly affect Vietnamese investment funds and startups, making it more difficult to disburse and raise capital.

FED raises interest rates by 0.25%

According to BVSC, the impact of SVB's case on Vietnam is indirect, mainly through the Fed's decision to raise interest rates.

Specifically, the FED raised interest rates for the 9th time by 0.25%, choosing to solve the inflation problem over the banking crisis. An interest rate increase of 0.25% can also help US stocks recover, becoming supportive information for the market.

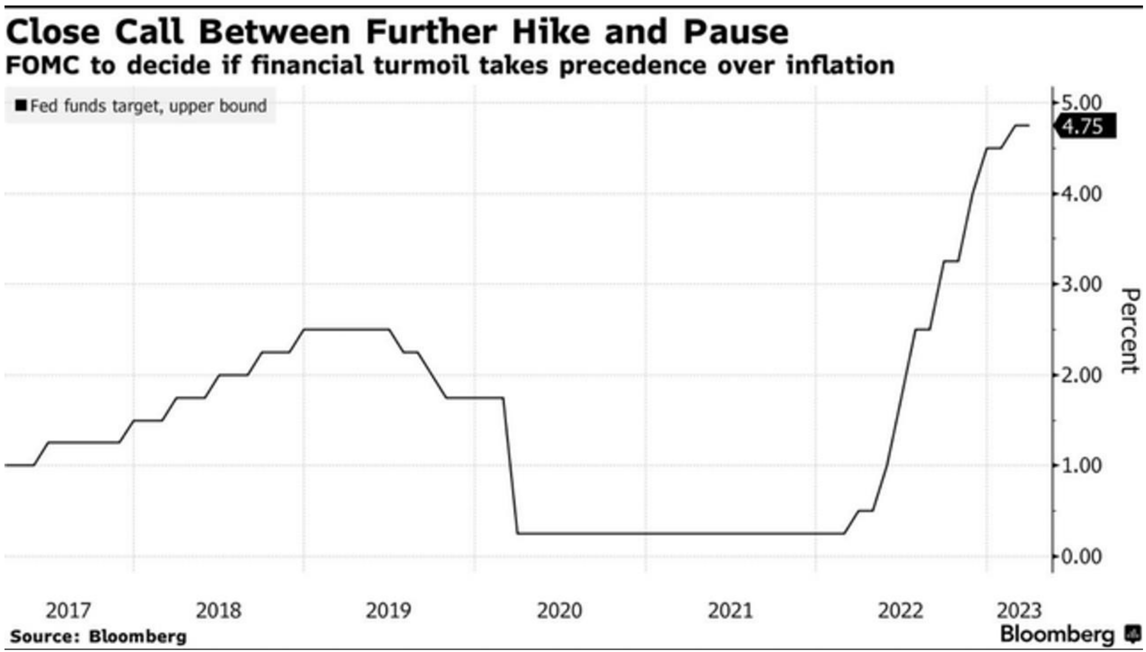

Figure 6: Interest Rates of FED since 2017

Source: Bloomberg

However, it could lead to a reduction in Vietnam's FDI. In the first two months of 2023, the total foreign capital (including new registration, adjustment, capital contribution to purchase shares, and purchase of contributed capital) into Vietnam reached nearly $3.1 billion, down 38% over the same period last year. That can be explained by the prolonged difficult economic situation in the US, Europe, and the world, high-interest rates while demand is weak, investors continue to cautiously pour money (investors will have the intention to minimize risk and wait to see if there is a better investment option, or want to maintain cash to defend their business rather than expand investment). That will reduce the need for expansion investments.

After the US and Europe, the difficult situation is likely to spread to some economies such as Korea and Japan. The reason is that some financial institutions and export activities in these Asian countries are closely tied to the US and Europe. Therefore, it could be a reduction in Vietnam's total FDI, as Asian countries have been “the leading money pumpers” in Vietnam in recent years.

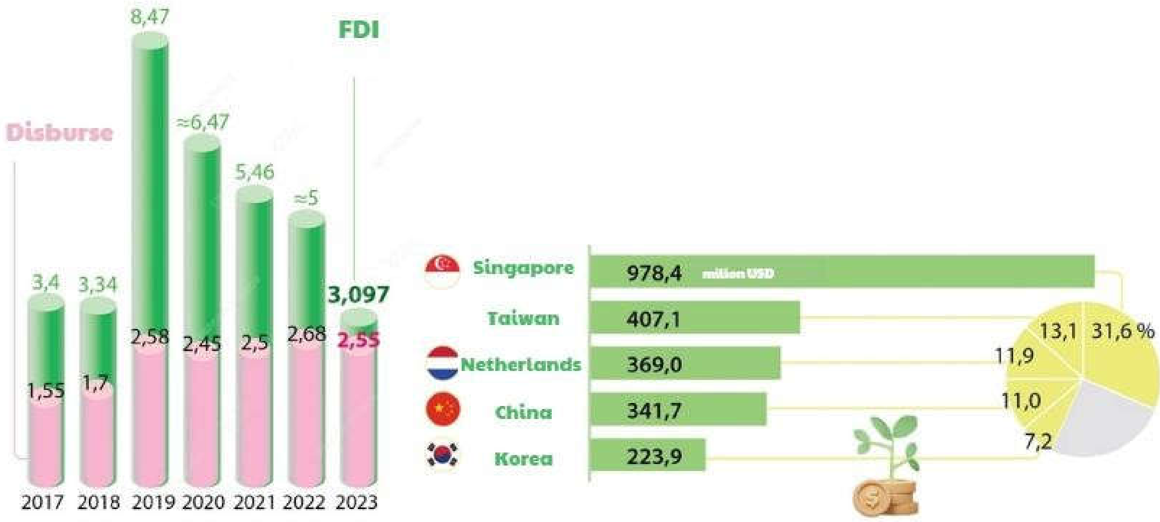

Figure 7: FDI into Vietnam in January and February over the years.

Source: infographics.vn

4. Conclusions

Overall, this article has discussed the phenomenon of a bank run and the bankruptcy of Silicon Valley Bank (SVB), one of the largest lenders to the technology sector in US. We have explained what a bank run is, what causes it, and how SVB faced a bank run that resulted from its risky investment strategy and its loss of confidence among customers. We have also examined how this event affected SVIB and other stakeholders. The event shows the vulnerability of banks to liquidity shocks and the importance of maintaining trust and transparency in banking operations. Finally, we have analyzed how this event affects the Vietnamese market terms of psychology affected and FDI reduction.

Although the impact of such events is hard to be far-reaching and has long-lasting effects on the economy, the bankruptcy of SVB serves as a reminder of the importance of prudent risk management and the need for effective regulatory oversight in the banking sector. With the current interest rate, it can be confirmed that the world economy cannot sustain it for a long time. Besides, people's confidence in the banking system is being eroded, as banks are constantly facing liquidity risks with little warning. Investor confidence has also been shaken, as many asset classes have become riskier than the general market expected. That leads to a more bleak picture of the world economy's recovery prospects in 2023.

Therefore, we have proposed some recommendations for policymakers, regulators, and bankers who should learn from this event and take appropriate actions to mitigate the negative impacts and seize the positive opportunities. Bankers should diversify their portfolios and improve their risk management practices. It is necessary to prepare measures to prevent interest rate risks such as Interest Rate Swap Contracts, Forward Rate Agreements – FRA or Interest Rate Option contracts. Besides, policymakers and market participants need to work together to ensure the stability and resilience of financial institutions.

Bank management agencies should have a warning about the issue of capital concentration of the banks; as well as it is necessary to have an early warning system from the Fed so that banks like SVB could spread risks by adjusting their portfolio.

Finally, we hope that article has given you a better understanding of bank runs and the bankruptcy of SVB, and enhanced your awareness of the risks inherent in the banking system. It's very important to know how the government settles deposits when a bank run happens and avoid being panicked as it only makes the situation become even worse.

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