Silicon Valley Bank crashes and will it be a replay of the 2008 Financial Crisis?

Silicon Valley Bank had largely remained a preferred destination with its customer base from top venture capital firms and super-rich tech startups. However, on 10th March, it faced a bank run after a huge fall in the prices of technology stocks and the Federal Reserve's plans to combat inflation through combative hikes in interest rates.

Using customer deposits, the bank has purchased bonds worth billions of dollars over the last couple of years, however, the valuation of such investments has declined because they carried interest rates that were lower than an equivalent bond would have if it had been issued in the current environment of higher interest rates. Over the past year, clients in Silicon Valley have started to become increasingly in need of money. Companies were forced to use their existing cash, which was frequently placed with Silicon Valley Bank, as funding from venture capital firms was drying up and they were unable to obtain fresh rounds of investment for underperforming ventures.

The affluent clients exhausted all their deposits after learning that Federal Government can insure up to $250,000 only. At present, there is not a bidder for Silicon Valley Bank. The assets of a bankrupt bank are typically acquired by a stronger bank, yet no stronger bank has expressed interest. Any bank that would purchase, Silicon Valley Bank might significantly help to solve some of the issues related to the money that entrepreneurs are currently unable to access. The Federal Reserve has intensified its "stress tests" overall for big financial organizations and banks to determine whether they could withstand a prolonged downturn or even a substantial spike in joblessness.