

# *Impact of Covid-19 on Private Bank Based on SVB*

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**Abstract:** The COVID-19 pandemic has had a profound impact on private banks such as Silicon Valley Bank (SVB). This summary explores the impact of the pandemic on private banking operations, financial performance, and strategic initiatives. The rapid shift to digital banking, driven by lockdowns and social distancing measures, highlights the importance of strong technical infrastructure and cybersecurity measures. Private banks have had to deal with increasing credit risk and market volatility and have therefore had to adapt their lending practices and risk management frameworks. However, private banks focused on sectors such as technology and healthcare have experienced growth opportunities. Effective communication and personalized support are critical to keeping customers engaged during a crisis. It not only describes the causes of the collapse of Silicon Valley banks but also describes what changes government departments, banks, and individuals should make after these social changes, how to avoid these risks, and how to lead the company to a better path of development.

**Keywords:** Financial Institutions, Regulatory Framework, Private Banks

## 1. Introduction

The COVID-19 pandemic, also known as the coronavirus disease 2019 (COVID-19), was undoubtedly a huge crisis, leading to global inflation, a sharp rise in death rates, and a decline in the world economy [1]. This outbreak has posed critical challenges for public health, research, and medical communities [2]. Many people get ill during this virus but they recover without getting any special treatments from the hospital. The elderly and people who have other diseases such as diabetes, pneumonia, heart disease, and so on are more likely to get infected more seriously, when they get infected, it is really difficult to recover. The arrival of COVID-19 completely changed the world, COVID-19 has led to global inflation, a sharp rise in death rates, and a decline in the world economy. The COVID-19 pandemic is a huge challenge to education systems [3]. This big shock caused a wide range of lockdowns and decreased consumer spending, which was a piece of bad news for all the markets. According to several studies, there are nearly 500 million full-time jobs disappeared almost overnight, which means that millions of people had no income during that period and for some firms it also difficult for them to earn money.

Wronka conducted a series of research and found out the impact of COVID-19 on financial institutions, he believes that this pandemic threatened people's lives and pushed the world into another financial crisis [4]. As residents were mostly being infected, a wide range of people got sick and died during that period, this drove to another serious condition that people couldn't go to their

companies and work which didn't have any salary per month, many companies collapsed or barely continue to operate their own, but there is still not sure if they can survive in the market and rely on their previous earnings. This mostly affected the financial sector, so COVID-19 is also so-called "the next financial crisis" by some economists worldwide [5]. The epidemic has pushed people and the market to the brink, and people have been taken out of their comfort zones and taken to their homes for days without work or pay. This is not a good thing for the market either. They cannot operate and cannot survive in the market. The epidemic has brought unlimited risks to people, and everyone cannot avoid them, but some are willing to fight for survival. The COVID-19 pandemic continues to disrupt business operations and the flow of trade, while at the same time, the goods and services businesses provide to consumers are forced to suspend. These terminated supply chains forced all companies to stop various business activities to stop the spread of the epidemic.

Çolak described some impact on banks writing that during the epidemic, various countries formulated various monetary policies in order to stimulate the economy, in order to help the operation of various financial companies, and at the same time, the country also formulated a special guarantee policy for loans to prevent various credits error [6]. At the same time, the author also pointed out. The impact of the new crown epidemic on banks around the world has been huge, especially in terms of lending. During the epidemic period, no enterprise or even the government had a 100% guarantee for the stability of the economy. The economy was very unstable during that period and there were many uncertain factors. These instabilities are significant for bank loans. Speaking has a huge impact. Using various techniques, the author found that for some countries that have been more affected by the new crown, bank lending is weaker because their quarterly lending increases are small. The author shows that the blockade imposed by the government to prevent the spread of the disease has also made it difficult for consumers to pay and move money, which has caused credit problems around the world to be magnified. Borrowers are no longer willing to borrow money. In order to consider risks, banks lend The probability will become smaller, resulting in a negative impact on the loan.

In order to prevent the spread of the disease, China has implemented a variety of anti-epidemic policies [7], such as shutting down Wuhan and restricting residents from traveling to other cities in many cities. As a result, there was no commercial activity in Wuhan, and residential transactions were 0. 0 in February 2020. Meanwhile, transactions in other Chinese cities fell to some extent from February to March 2020, and have since remained above their long-term average.

In some European countries, in order to reduce the contact between people, the transaction between restaurants and houses has led to a decline in the number of housing transactions in Europe, even though many countries have reopened, the number of housing transactions in some areas has not recovered before. On the contrary, in other countries in Europe, housing prices have been very resilient in the case of the epidemic, never falling, but higher than usual. Under the circumstances of the epidemic, the government has not made any form of restrictions. COVID-19 has also led to global inflation, a sharp rise in death rates, and a decline in the world economy. The IMF uses a policy tracker to understand how countries around the world are responding to COVID-19, how they are protecting themselves against the pandemic, and what policies they have adopted. Different national policies have had a serious impact on the corresponding economy, leading to different global economic recoveries.

## **2. Status of the Impact on Private Banking**

### **2.1. The Characteristics of the Private Banking Industry (Group, Class)**

COVID-19 has had a particularly large impact on the whole event, as can be seen from the above survey results, which has caused many businesses and government departments to stop operations and be forced to suspend. The economies of many countries in the world have also been greatly

affected. For some financial institutions, the coronavirus has reduced their customer traffic, leaving them unable to provide services and sell their goods. For some banks, the arrival of the new coronavirus is that their loans have problems, and the risks they are exposed to are getting bigger and bigger, making them enter a big financial crisis. The continuous turbulence of the financial market makes the harm capacity of the new coronavirus exceed that of the financial crisis in 2008. However, in these numerous studies, people do not pay as much attention to private enterprises, and most people still shift their attention to the government and the economy, while ignoring some private enterprises.

Different from ordinary banks, private banks serve customers with rich property and high income. In other words, private banks provide professional and specially customized financial services for high-net-worth customers. Generally speaking, private banks provide customers with one-to-one full-time customer managers, and behind each customer manager, there is an investment team for service support. Their customers are high-level people with high reputations, and they also have super customized services to attract more customers, and they involve an extremely wide range of services, such as asset management services, insurance services, trust services, etc., and the service is excellent, and the professional ability of service personnel is also selected through layers of selection. In addition, private banks are highly private, they are all exclusive services, but at the same time, there are many requirements to open an account in these private banks. Generally, the customer has at least one million dollars in liquidity. From these aspects, it is obvious that private banks are very different from ordinary banks [8].

## 2.2. Data and Case

Silicon Valley Bank (SVB) one of the private banks in the US with about 40-year history, recently collapsed at a spectacularly fast speed. This was the first enormous bankruptcy just after the 2007-2008 financial crisis, which caused a lot of influence to the world. A lot of combined reasons drove the bank to collapse including poor risk management and a bank run driven by tech industry investors. Silicon Valley Bank had taken an enormous unhedged bet on low-interest rates, but this bet went wrong. At this period.

Two other banks, Silvergate and Signature Bank, collapsed within a week. Arouse a lot of people's attention. The failure of Silicon Valley banks is controversial because of its size. In 2009, although more than 140 banks failed during the financial crisis, the total assets were only 170.9 billion yuan, but in 2023, the total assets of Silicon Valley banks alone reached 209 billion yuan, so the total assets of the failure in only one week will soon reach the peak period (2008 financial crisis). In the 2020 epidemic period, due to people's economic pressure, investors have withdrawn their funds, companies have exhausted credit lines, and people in other countries have begun to seek dollars, save, and seek security. In that case, the Fed would have to pump money into financial institutions and convert most of its foreign currency into dollars. These actions are designed to prevent greater risks from being created and destroyed. At the same time, the Fed is trying to save the economy, they're raising rates to maximize employment and price stability. And they cut interest rates when the economy was weak, pumping more liquidity into the market and stimulating the economy. The information that three banks failed at the same time directly reduced the utility of small and medium-sized banks, and the government was afraid that people would no longer trust small and medium-sized banks, so it stood up for them [9].

During the pandemic, SVB had gotten all of these deposits, and their deposits tripled, during the pandemic, SVB had gotten all of these deposits, their deposits tripled, He took out part of his deposit to buy bonds, so the Silicon Valley Bank bought a lot of long-term bonds in order to yield, by the end of 2022, the Silicon Valley Bank's deposit is almost gone (Figure 1), the Bank of America began to raise interest rates, resulting in a plunge in bonds, and the Silicon Valley Bank's savings are lost. In other words, the longer the debt, the more it will lose. But in fact, Silicon Valley banks did not want

such long-term debt. Still, their main portfolio investment is invested in RMBS, whose risk will increase with the increase of interest rates. Hence, as the Federal Reserve raises interest rates, the longer the debt will be permanent, the more losses. It was seized by regulators and declared bankrupt in a single day as the stock plunged (Figure 1) and a large number of depositors withdrew about \$ 42 billion from them [10].

All in all, due to the economic instability caused by the epidemic, the crazy change of interest rates by the Federal Reserve, and various operational behaviors, SVB and other bank deposits fell significantly, forced to buy bonds, stocks fell heavily, customers withdrew money and left, and finally went bankrupt. Therefore, it can be found from this example that the epidemic has a great impact on private banks, as shown in Figure 1 and Figure 2.

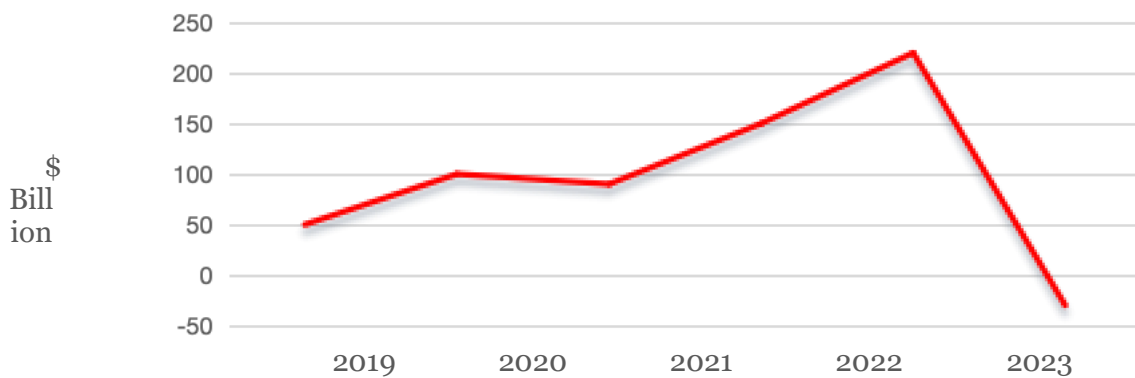


Figure 1: Silicon Valley Bank's deposit

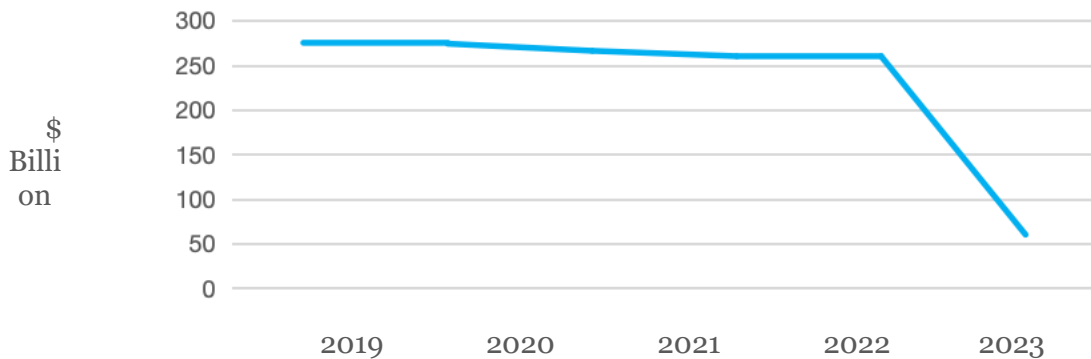


Figure 2: SVB stock price

### 3. Solution Strategy, Development Trend

#### 3.1. Government

Governments can establish and enforce strict supervisory rules and regulations for banks. These regulations can ensure that banks maintain adequate capital levels, engage in a variety of consumer behaviors within risk, and follow good lending practices. They could also require banks to report regularly to the government to monitor their financial health and prevent them from going bankrupt as a result of government actions. At the same time, the government could establish a deposit insurance scheme to protect depositors' funds in the event of a bank failure. These plans guarantee

that each account holder has a certain amount of money in the deposit, and ensure that the number of depositors will not change, and depositors will be safe to put their money in the bank, preventing bank runs, and when the bank is about to collapse, there will not be a large number of depositors to withdraw their money, leaving the bank with no money to recover. The government should let the Central Bank monitor the actions made by the private banks. Central banks play a crucial role in overseeing the banking system. From the suggestions above, SVB can conduct regular inspections, and stress tests, and monitor the liquidity positions of banks to identify potential weaknesses. Central banks can also provide emergency liquidity assistance to troubled banks to prevent their immediate collapse.

### **3.2. Banks**

Banks can take several measures to prevent failure and ensure financial stability. Banks should implement relatively sound risk management to judge various types of risks and distinguish the size of risks, including credit risk, market risk, and so on. Banks should establish comprehensive risk management frameworks, policies, and procedures to effectively manage and monitor these risks. Second, banks should be adequately capitalized. Establish rules to regularly check the funds owned by the bank to ensure that the safety of various funds is sufficient to face various risks, and protect the bank itself to resist various risk management. At the same time, banks should be more cautious in making various loan investments and accurately evaluate the creditworthiness of borrowers to increase stability. Ongoing monitoring and stress testing are also important for the banks themselves. Banks should proactively monitor their financial position to assess their resilience in adverse scenarios. Stress tests help banks identify vulnerabilities, assess capital adequacy, and make necessary adjustments to their risk management strategies. Banks are also expected to comply with regulatory requirements and keep pace with changing regulations. Failure to comply with regulations can result in financial penalties, reputational damage, and increased risk exposure. Banks must have a compliance framework and dedicated compliance officers to ensure compliance with laws and regulations. These methods above could have avoided the failure that SVB suffered [11].

### **3.3. Individuals**

Individuals can take several steps to protect themselves from financial failure and improve their financial well-being. Here are some actions individuals can consider:

First, the importance of budgeting and financial planning. Creating a budget helps individuals manage their income and expenses, prioritize spending, and save money. By making a financial plan, you can set goals, establish ways to save, and decide how much you spend according to your ability and financial situation. People should set up a certain amount of emergency funds, if the bank suddenly cannot withdraw the money, there is still some money to cover the expenses for some time, so it is essential to set aside funds for emergencies. Emergency funds provide a financial cushion against unexpected expenditures or revenue disruptions. Save a few months' worth of living expenses into a separate, easily accessible account.

## **4. Conclusion**

This paper first introduces various backgrounds related to private banks, just like the time of the new coronavirus and various details of COVID-19 mentioned above, to introduce how this event happened. COVID has had a significant impact on the collapse of SVB, and this article describes in detail how the novel coronavirus epidemic has led to the slow collapse of various banks. The function of a private bank is the difference between a private bank and an ordinary bank. At the same time, this article also

describes some solutions and trends of governments, banks, and individuals facing this situation to help citizens.

Different from ordinary banks, private banks serve customers with rich property and high income, Private banks provide customers with one-to-one full-time customer managers and also provide super special services. A while ago, it wasn't just Silicon Valley banks, two other banks, Silvergate and Signature Bank, collapsed within a week. Silicon Valley Bank is because of the high inflation caused by the release of US dollars during COVID-19, the interest rate hike of the US government, and the high cost of financing entrepreneurial enterprises led to a pile of bad debts and eventually bankruptcy. Among them, we all know that the problem occurs when enterprises deposit money and make money through the difference between deposits and loans.

Regulatory Framework, Deposit Insurance, Central Bank Oversight, Risk Management, and adequate Capitalization are the ways that the banks or governments can try to do, so in order to fix the problem of bankruptcy or even worse. In my opinion, both the government and the bank, before making any decision, should consider all the hidden dangers, make all the preparations that may lead to bankruptcy or the loss of many jobs, and sometimes always be wary and make all the back ways to prevent risks. There are ways to get the company back on its feet when it does go bankrupt.

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