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The sudden collapse of California's Silicon Valley Bank (SVB) last week understandably caused some investors to experience post-traumatic flashbacks to the infamous failure of Lehman Brothers a decade and a half ago.

We are however firmly of the view that SVB is not Lehman 2.0, and for the simple reason of scale. Though SVB was the 16th largest bank in the US, it is a regional bank, whereas Lehman Brothers was nation-wide and at its peak had assets of nearly $700 billion. This made Lehman a systemic risk to the entire banking system -a reality far different from SVB today.

Over the weekend Treasury Secretary Janet Yellen announced that the US Federal Deposit Insurance Corporation (FDIC) would guarantee all deposits, both insured (amounts up to $250k) and uninsured. This move is aimed to shore up confidence in the solvency of banks and to help companies that deposited large sums with SVB to continue to make payroll and fund their operations.

Smaller banks will likely come under pressure in the weeks ahead, as investors wonder which ones could be next? That said, assurances from the US government dramatically reduces the risk of further contagion.

To put SVB in further context, during the Great Depression over *nine thousand* banks in the United States failed, and back then there was no such thing as deposit insurance. When a bank failed the depositors were left without a penny, wiping out the life savings of million of Americans. In response to this regulatory shortcoming, the US government created the FDIC and deposit insurance. It is this safeguard that will protect depositors and ultimately the financial stability of America's banking system.

As with everything, this too shall pass and at the time of writing my weekly blog, equity markets are up (slightly), suggesting that investors have already put in perspective the events of last week and are looking forward.

As always, if you have any questions on this issue or any other, please give me a call. That's what I'm hear for!

Thanks for reading!

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