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SVB Financial Files for Chapter 11 Bankruptcy Protection

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The parent company of Silicon Valley Bank filed for bankruptcy, easing a sale of its remaining assets after the technology-focused bank at the core of its business was seized by federal regulators.

[SVB Financial Group](#) filed for chapter 11 protection on Friday in New York bankruptcy court, the largest bankruptcy filing stemming from a bank failure since [Washington Mutual](#) Inc. in 2008.

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Silicon Valley Bank, the technology-focused lender and SVB Financial's primary business, [was taken over by federal regulators](#) after it was crippled by a [dash for the exits](#) by depositors. The Federal Reserve stepped in to make depositors whole and reassure markets, although a number of other regional banks in the U.S. have seen their credit ratings cut and depositors pull cash.

Silicon Valley Bank, now operating as Silicon Valley Bridge Bank N.A. under the control of the Federal Deposit Insurance Corp., isn't part of the chapter 11 filing.

Bankruptcy offers a court-supervised process to help the parent company find new owners for its business lines that aren't under federal control. Its other businesses include SVB Capital, an investment manager that oversees \$9.5 billion of funds on behalf of third-party investors, and SVB Securities, an investment bank.

SVB Financial Group said Friday that Silicon Valley Bank and SVB Private, a wealth-management company within the bank, are no longer affiliated with the parent company.

William Kosturos, the parent company's chief restructuring officer, said he is working to find ways to maximize the recoverable value for stakeholders of SVB Financial Group and Silicon Valley Bridge Bank.

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SVB Financial Group has publicly traded stock that is listed on the Nasdaq exchange, and which has been halted for trading since March 9. In its chapter 11 petition, it names Vanguard Group, [BlackRock](#) Inc. and [State Street](#) Corp. as holding more than 5% of

its voting securities. It also carries over \$3 billion in bond debt and nearly \$4 billion in preferred stock, which has been trading at distressed levels since the bank entered receivership.

Hedge funds and other asset managers have piled into bonds issued by SVB Financial, even though U.S. government officials have warned that investors in the bank will likely be wiped out. A bondholder group that includes Centerbridge Partners, Davidson Kempner Capital Management LP and Pacific Investment Management Co. is betting on collecting proceeds from sales of the company's private-wealth and other units, [The Wall Street Journal reported](#).

SVB Collapse Under Investigation by SEC and DOJ: What to Know



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Photo Illustration: Ryan Trefes

SVB Financial said Friday that it believes it has about \$2.2 billion of liquidity. In addition to cash and its interests in SVB Capital and SVB Securities, SVB Financial Group has other valuable investment securities accounts and other assets for which it is also exploring strategic alternatives.

Financial adviser [PJT Partners](#) Inc. and law firm Davis Polk & Wardwell LLP are advising the bondholder group, according to people familiar with the matter. SVB Financial is working with Centerview Partners LLC as financial adviser, Sullivan & Cromwell LLP as legal counsel and Alvarez & Marsal as its restructuring adviser, according to the company statement.

Friday's bankruptcy filing may also help SVB Financial's directors and officers secure releases for any civil litigation that creditors or shareholders might seek to bring against them for allegedly mismanaging the company.

When assets are sold through bankruptcy, the proceeds often flow to creditors. However, investors are weighing the risk that SVB Financial may need to help cover losses at Silicon Valley Bank, which regulators haven't disclosed.

It isn't uncommon for a holding company to file for bankruptcy after a bank it owns is placed into federal receivership. Washington Mutual filed for chapter 11 protection after its subsidiary, Washington Mutual Bank, collapsed in 2008, the largest bank failure in U.S. history. Washington Mutual Bank was taken over by federal regulators and was later sold to [JPMorgan Chase](#) & Co.

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