

Webinar Summary Notes

The Ripple Effect: Long-Term Implications of the SVB Collapse

Overview

On April 19th, 2023, Liam O’Sullivan and Rob Poole participated as panelists on a webinar hosted by BMO Capital Markets, The Ripple Effect: Long Term Implications of the SVB Collapse.

In their discussion, Liam and Rob spoke in detail about the recent market events, providing some background to both the Silicon Valley Bank and Credit Suisse fallout. They addressed the parallels and differences between the two and reviewed the sustainability of the regional banking model, addressing any impacts these events may have on Canadian banks.

[Watch the Replay](#) (Password: Silicon)

Panelists



Liam O’Sullivan

Principal, Co-Head of Client Portfolio Management

RPIA



Rob Poole

Co-Head of Equities, Head of Fundamental Equity Research

Picton Mahoney Asset Management

Key Takeaways

- The Silicon Valley Bank (SVB) fallout was a result of both systemic and idiosyncratic factors.
 - **Systemic Factors:** SVB had a concentrated deposit base that grew rapidly throughout the COVID-19 pandemic, with most of those deposits being uninsured. The bank was slow to originate loans and parked the deposits in the securities portfolio, which was double the average size in the US.
 - **Idiosyncratic Factors:** Although an asset-liability mismatch is not unique to SVB, their mismanagement of liquidity risk and the failure of confidence that led to the bank run, can ultimately be attributed to poor risk management and decision-making.
- Regulatory and long-term implications of this crisis will likely focus on liquidity management, specifically for smaller institutions. There is also likely to be credit contraction as banks tighten lending conditions and risk aversion heightens from investors.
- The regional banking model is facing challenges due to the pullback in credit, the re-regulation campaign, and the need to improve liquidity management, which impacts their profitability and return on equity. Consolidation of regional banks is expected over time.
- Canadian banks, carrying significantly more interest-bearing deposits, are less likely to be impacted by the fallout of SVB and other regional banks. They are better capitalized and have tighter interest rate risk management.

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