

Silvergate has collapsed



Silvergate Bank, which had been a cornerstone in the crypto world, announced it's closing and returning deposits. In a press release, the bank's holding company, Silvergate Capital Corporation, said it made the decision to shut down "in light of recent industry and regulatory developments."

It's been clear for a while that the company was struggling along with some of its most high-profile clients like FTX and Genesis. In January, its earnings report revealed that it lost a billion dollars in one quarter after its customers withdrew \$8.1 billion. Then, on March 1st, it filed a document saying its financials were even worse than the quarterly report had shown.

There are several concerns about what the crypto landscape will look like without Silvergate, especially when it comes to where companies will turn to get cash. My colleague Elizabeth Lopatto has done an excellent job summarizing a lot of them in this explainer. One of the major concerns is that crypto companies may turn to less regulated institutions for their banking needs, potentially making the space even riskier for everyone involved. In other words, if there isn't a bank

playing by the rules willing to do business with them, they may have to find a bank that doesn't.

As for the next steps for the bank, it's liquidating "in an orderly manner and in accordance with applicable regulatory processes" and is "considering how best to resolve claims and preserve the residual value of its assets, including its proprietary technology and tax assets."

As all of this has been going down, companies like Coinbase, Crypto.com, and Paxos have started moving away from the bank. Even the Tether stablecoin took the opportunity to distance itself from the institution. Its list of allies was thin, and the government was scrutinizing it for its role in the FTX meltdown.

Silvergate's collapse will almost surely draw scrutiny from lawmakers, especially those who are concerned about the crypto contagion reaching the traditional financial sector.

"Today we are seeing what can happen when a bank is overreliant on a risky, volatile sector like cryptocurrencies," said Senator Sherrod Brown (D-OH), who is the chair of the Senate Banking, Housing, and Urban Affairs Committee. "I've been concerned that when banks get involved with crypto, it spreads risk across the financial system and it will be taxpayers and consumers who pay the price."

<https://www.theverge.com/2023/3/8/23631320/silvergate-wind-down-liquidation-announcement>