

Silvergate Capital to Liquidate, Regulators Close Signature Bank: What That Means for Other Banks With Crypto Assets

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On March 8, Silvergate Capital, a leader in crypto lending, announced it was winding down its operations. FTX was one of Silvergate Capital's biggest clients. The California-based bank is chartered under the supervision of the California Department of Financial Protection and Innovation (CA DFPI). The CA DFPI released a [statement](#), saying it is "evaluating compliance with all financial laws, as well as safety and soundness obligations, and is working closely with relevant federal counterparts."

On March 12, Superintendent Adrienne A. Harris of the New York Department of Financial Services (NY DFS) [announced](#) that it had taken possession of Signature Bank in order to protect depositors. Signature Bank was second only to Silvergate Capital in the crypto currency industry.

The Federal Deposit Insurance Corporation (FDIC) recently [released](#) its annual assessment of the top nine management and performance challenges facing the agency, including "supervising risks posed by digital assets." It also specifically cited Silvergate Capital as an example of what can happen when "90 percent of [its] deposit base ... were accounts for crypto asset customers." In the fourth quarter of 2022, Silvergate Capital's crypto asset customers withdrew funds, causing total bank deposits to fall to \$3.8 billion — a 68% deposit reduction. As a result, Silvergate Capital was forced to sell \$5.2 billion in debt securities at a loss of \$718 million, a sum greater than its total profits since 2013.

According to FDIC data, as of January 2023, 136 insured banks had ongoing or planned crypto asset-related activities, and numerous players continue to state that they are in the process of trying to form new banks to focus on these activities. What does the liquidation of Silvergate Capital and the closing of Signature Bank mean for these other banks and potential banks? Consider a more diverse business plan and expect an uphill climb.

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