One of Silicon Valley's top banks fails; assets seized

People look at signs posted outside of an entrance to Silicon Valley Bank in Santa Clara, Calif., U.S., on March 10, 2023.
JEFF CHIU/AP

Regulators rushed Friday to seize the assets of one of Silicon Valley's top banks, marking the largest failure of a U.S. financial institution since the height of the financial crisis almost 15 years ago.

Silicon Valley Bank, the nation's 16th-largest bank, failed after depositors hurried to withdraw money this week amid anxiety over the bank's health. It was the second biggest bank failure in U.S. history after the collapse of Washington Mutual in 2008, AP reported.

The bank served mostly technology workers and venture capital-backed companies, including some of the industry's best-known brands.

There appeared to be little chance of the chaos spreading in the broader banking sector, as it did in the months leading up to the Great Recession. The biggest banks – those most likely to cause an economic meltdown – have healthy balance sheets and plenty of capital.

Nearly half of the U.S. technology and health care companies that went public last year after getting early funding from venture capital firms were Silicon Valley Bank customers, according to the bank's website.

The bank also boasted of its connections to leading tech companies such as Shopify, ZipRecruiter and one of the top venture capital firms, Andreesson Horowitz.

Garry Tan, CEO of Y Combinator, a startup incubator that launched Airbnb, DoorDash and Dropbox estimated that nearly one-third of Y Combinator's startups will not be able to make payroll at some point in the next month if they cannot access their money.

Internet TV provider Roku was among casualties of the bank collapse. It said in a regulatory filing Friday that about 26% of its cash – $487m – was deposited at Silicon Valley Bank.

As part of the seizure, California bank regulators and the FDIC transferred the bank's assets to a newly created institution – the Deposit Insurance Bank of Santa Clara. The new bank will start paying out insured deposits on Monday. Then the FDIC and California regulators plan to sell off the rest of the assets to make other depositors whole.

There was unease in the banking sector all week, with shares tumbling by double digits. Then news of Silicon Valley Bank's distress pushed shares of almost all financial institutions even lower Friday.

The failure arrived with incredible speed. Some industry analysts suggested Friday that the bank was still a good company and a wise investment. Meanwhile, Silicon Valley Bank executives were trying to raise capital and find additional investors. However, trading in the bank's shares was halted before stock market's opening bell due to extreme volatility.

The White House said Treasury Secretary Janet Yellen was "watching closely." The administration sought to reassure the public that the banking system is much healthier than during the Great Recession.

NEWS IN BRIEF

Meta explores strategic alternatives for Kustomer business-software firm

REUTERS – Meta Platforms Inc said on Friday it is exploring strategic alternatives for customer service company Kustomer that it acquired in a process ending last year.

"We are currently exploring strategic alternatives for Kustomer and will continue to support Kustomer's product and customer base throughout this process," the Facebook owner said in an emailed statement to Reuters, without providing additional details on the alternatives.

Ford to cut 1,100 jobs in Spain after other European layoffs

AP – Ford Motor Co. announced that it will cut around 1,100 jobs at its plant in the eastern Spanish city of Valencia.

The cuts are in addition to the 2,300 layoffs largely in Germany and the UK that the automaker announced last month as part of a "leaner, more competitive cost structure in Europe."

France faces another day of protests against Macron's pension plans

CGT union leader Philippe Martinez and Laurent Berger, secretary general of French Democratic Confederation of Labour (CFDT) walk with others, holding a banner at a demonstration against the government's pension reform plan in Paris, France, on March 11, 2023.
BENOIT TESSIER/REUTERS

France faced a seventh day of demonstrations on Saturday against President Emmanuel Macron's unpopular pension reform plans amid ongoing rolling strikes which have affected refineries, public transport and garbage collections.

A coalition of French unions, maintaining a rare show of unity since the protest movement was launched at the end of January, hopes to keep up to pressure on the government to withdraw the reform, whose key measure is a two-year extension of the retirement age to 64, Reuters reported.

According to Interior Ministry figures, up to 1m people are expected to take part in over 200 marches throughout the country while the Senate continues to review the reform, with a possible vote on the text from the upper house of the Parliament expected by Sunday night.

On Tuesday, 1.28m people took to the streets in demonstrations, the highest turnout since the start of the protest movement, according to government figures. Unions estimated the total at 3.5 million people.

Opinion polls show a majority of voters oppose Macron's plan, while a slim majority supports the strike actions.

A TotalEnergies spokesperson told Reuters that the strikes continue in the oil major's French refineries and depots, while public railway operator SNCF said national and regional services would remain heavily disrupted over the week-end.

In Paris, garbage continues to pile up on the streets, with residents mentioning a growing presence of rats, according to local media.

The right-leaning Senate, aligning with Macron's centrist Renaissance party, should vote in favour of the pension reform but, in that case, the bill will then be reviewed by a joint committee of lower and upper house lawmakers, probably next week.

If the committee agrees on a text, a final vote on both chambers would likely occur but, in the lower house of the Parliament, where Macron's party majority is relative, the outcome of such a vote still appears uncertain.

An additional day of nationwide strikes and protests is planned for March 15.

Offshore workers to strike at UK continental shelf: *Unite*

British union Unite on Friday said several Sparrows offshore services workers have voted to strike at dozens of platforms on the UK continental shelf including those of BP and Shell.

A view shows a logo of Shell petrol station in South East London, Britain, on February 2, 2023.
MAY JAMES/REUTERS

Around 150 Sparrows workers across more than 20 oil and gas platforms have voted for strike in a dispute over pay, the union said in a press release, Reuters reported.

This comes after the union last week announced its Sparrows members working on BP's Andrew, Clair, Clair Ridge, ETAP, Glen Lyon and Mungo installations backed strike action in a separate dispute over pay and conditions.

The strike action will hit BP's platforms from March 29 to June 7 in a series of 24, 48 and 72-hour stoppages, the Unite said in the release today, adding that a continuous ban on overtime will also start on March 21.

This will also hit a number of other major operators including Apache and Harbour Energy.

EU strikes deal to curb energy use by 2030

The European Union struck a deal on Friday to cut final energy consumption across the bloc by 11.7% by 2030, a goal lawmakers said would help fight climate change and curb Europe's use of Russian fossil fuels.

The deal was agreed after all-night talks between negotiators from EU countries and the European Parliament, Reuters reported.

Hitting the targets will require countries to renovate millions of draughty buildings to waste less energy. With most European buildings heated by fossil fuels, the policy is crucial to the EU's efforts to combat climate change.

Negotiators agreed that energy consumed by end-users in the bloc such as households and factories in 2030 should be 11.7% lower than expected use by that date.

But the deal fell short of the 13% target the European Commission last year said the EU would need to help wean countries off Russian fossil fuels faster after the Ukraine war.

The European Parliament had wanted a higher goal of 14%, while some EU countries pushed for a lower 9% -- the original EU proposal from 2021, which it changed following Russia's "military operation" in Ukraine.

The target will be legally binding. Countries will set their own non-binding national goals – but if they do not add up to the 11.7% goal, the European Commission will correct them.

From 2024 to 2030, countries will have to save an average of 1.49% of final energy consumption per year. Countries will have to speed up renovations of publicly-owned buildings, renovating at least 3% of such buildings' total floor area each year.

The deal will now go to the European Parliament and EU countries for a final vote, which is usually a formality that approves the law with no changes.