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Financial Institution Letter

Financial Institutions are Required to Meet Contractual Obligations with Bridge Banks

March 14, 2023 | FIL-10-2023

Summary:

In recent days, the FDIC has established two bridge banks, Silicon Valley Bridge Bank, N.A. and Signature Bridge Bank, N.A., to assume the deposits and obligations of two failing banks. All contracts entered into with banks before they failed, and their counterparties were transferred into the bridge bank by the FDIC as receiver. Accordingly, vendors and counterparties with contracts with the bridge bank are legally obligated to continue to perform under the contracts, and the bridge is obligated to and has the full ability to make timely payments to vendors and counterparties and otherwise perform its obligations under the contract.

Statement of Applicability: The contents of, and material referenced in, this FIL apply to all FDIC-insured financial institutions.

Highlights:

- The bridge bank is performing under all failed bank contracts and expects all counterparties to similarly fulfill their contractual obligations.
- All vendors providing services should continue to provide such services.
- All authorized signers, account details, Tax Identification Number, wire/ACH instructions, and pre-failure processes remain in effect, and can and should be utilized to provide such services, until such time as the bridge bank notifies you.
- Vendors and counterparties should be aware that the FDIC as receiver is authorized to enforce such contracts (12 USC 1821(e)(13)) and to transfer the contract notwithstanding any apparent limits on transfer in the contract (12 USC 1821(d)(2)).
- Accordingly, vendors and counterparties with contracts with the bridge bank are legally obligated to continue to perform under the contract, and the bridge is obligated to and has the full ability to make timely payments to vendors and counterparties and otherwise perform its obligations under the contract.
- All obligations of the bridge are backed by the FDIC and the Deposit Insurance Fund.
- Failure to meet these obligations may result in legal action by the U.S. government.

Related Resources:

FDIC Press Release (March 12, 2023): [FDIC Establishes Signature Bridge Bank, N.A., as Successor to Signature Bank, New York, NY](https://www.fdic.gov/news/financial-institution-letters/2023/fil23010.html)

FDIC Press Release (March 13, 2023): [FDIC Acts to Protect All Depositors of the former Silicon Valley Bank, Santa Clara, California](#)

[Joint Statement by the Department of the Treasury, Federal Reserve, and FDIC](#) (March 12, 2023)