Insights About the US Banking System

What You Should Know About FDIC & SIPC

Prepared by Nicholas C. Valenti, CFP®, CLU®

With recent headlines about two failed U.S. banks and their ripple effect throughout the banking sector, we want to summarize the latest information on this evolving event. We assure you we are monitoring the situation
closely. However, it's important to note that such events can cause short-term market volatility.

On March 10, 2023, Silicon Valley Bank (SVB), the 16th-largest bank in the US, headquartered in Santa Clara, California, failed. SVB's customers include small to mid-sized technology companies and private bank customers, some of which are individuals.

On Monday, March 13, 2023, The FDIC transferred all deposits—both Insured and uninsured—and substantially all assets of the former Silicon Valley Bank of Santa Clara, California, to a newly created, full-service
FDIC-operated 'bridge bank' in an action designed to protect all depositors of SVB. As a result, depositors will now have full access to their money. In addition, customers will be made whole on their deposits through FDIC insurance fees that FDIC-member banks pay to have their customers' deposits insured up to $250,000.

Understanding FDIC Insurance and what it covers
The Federal Deposit Insurance Corporation (FDIC) was created during the depression of the 1930s to help rebuild Americans' trust in the banking system. During this period, many banks failed, and depositors lost assets. Today, FDIC insurance protection is available and paid for by FDIC member banks to protect their customer's deposits. In the event of a bank failure, the FDIC uses the insurance fund to guarantee bank customers' deposits up to applicable limits.

HAVE QUESTIONS? **Contact Me!**
NICHOLAS C. VALENTI, CFP®, CLU®

(210) 845-8664
ncvalenti@pws-texas.com



Today, FDIC insurance protection is available and paid for by FDIC member banks to protect their customer's deposits. In the event of a bank failure, the FDIC uses the insurance fund to guarantee bank customers' deposits up to applicable limits. FDIC insurance covers the following deposit products:

- **Checking accounts**
- **Savings accounts**
- **Money Market Deposit Accounts (MMDAs)**
- **Certificates of Deposit (CDs)**
- **Negotiable Order of Withdrawal (NOW) accounts**

FDIC insurance DOES NOT cover non-deposit products such as:

- **Stocks**
- **Bonds**
- **Mutual funds**
- **Annuities**
- **Insurance products**
- **Crypto assets**

This is an important distinction since FDIC coverage does not protect investments. For investments, it's essential to understand how SIPC protection works.

The Securities Investor Protection Corporation (SIPC) offers limited protection to investors. SIPC works to restore investors' assets when a member brokerage firm fails financially. Brokerage firm failures are rare. However, if it happens, SIPC protects the securities, mutual funds, bonds, and cash in your brokerage account up to $500,000.

SIPC protects your investments if:
-Your brokerage firm is a SIPC member (we are).
-You have securities at your brokerage firm.
You have cash at your brokerage firm to buy securities.

SIPC does NOT protect if:
-The firm is not a SIPC member.
-Against market loss.
-Promises of investment performance were made.
-Your investment is a commodities or futures contract.

Recent market volatility serves as a reminder of the importance of maintaining a diversified investment portfolio that considers a client's risk profile and time horizon. Should you have any concerns about your current concerns, please feel free to consult me at any time.

Securities and investment advisory services offered through Royal Alliance Associates, Inc. member FINRA/SIPC. Royal Alliance Associates, Inc. is separately owned and other entities and/or marketing names, products or services referenced here are independent of Royal Alliance Associates, Inc. 3522 Paesanos Pkwy, Suite 100, San Antonio, TX 78231, (210) 998-5000.