# Bank Failures – How Ignorant are we?

**By: John J. Pico, BA JD**


Every news station yesterday was bragging on how Bank of America, Citigroup, JPMorgan Chase and Wells Fargo were each going to make a $5 billion UNINSURED deposit, while Goldman Sachs and Morgan Stanley were each going to make an UNINSURED deposit of $2.5 billion to help prop-up First Republic Bank by making its deposits feel secure.

The news kept emphasizing what a selfless act it was to make UNINSURED deposits.

Without commenting on the merits or demerits of such actions, I really don't think a Medal of Honor is in order for their making “UNINSURED” deposits.

Although there is an FDIC limit of $250,000 on insured deposits, the FDIC has authority to protect uninsured deposits if the Treasury Secretary and two-thirds of the FDIC and Federal Reserve boards determine there is a “systemic risk” to the financial system, which authority it just used bailing out* all Silicon Valley Bank (SVB) depositors, (except for senior management and shareholders).

With respect to the First Republic deposits, does anyone really believe that the FDIC would let our major banks suffer a $25 BILLION loss for helping prop it up?

I understand what they did and why they did it and, once again, without commenting of the merits or demerits of the actions, I ask the media "Please don't insult me by telling me what a sacrifice it was."

Banks have a duty to their shareholders and depositors not to intentionally jeopardize the security of their banks and to only make decisions that would benefit their institutions.

The banks in question made business decisions, which I must believe were made after consulting with the FDIC and their boards that were intended not only to assist First Republic, but to benefit the banks that were making the deposits.

Whether they believed the $25 Billion would end-up as a donation to the cause, or that it would eventually be reclaimed, what they did was to make a business decision that they believed would benefit their respective institutions because to do otherwise would have been a breach of duty to their shareholders and depositors.

So please news people, don't insult us. Just report the facts. The people are smart enough to figure-out who is making a sacrifice and who is protecting themselves.

*I used the term "bailing out" because the depositors at SVB that had more than $250,000 in their accounts had, on paper, lost millions until the FDIC stepped in and voted to cover their anticipated losses.

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*For a list of references and experience, visit* ***[http://www.advisingdealers.com](http://www.advisingdealers.com)*** *or email at* ***[info@advisingdealers.com](mailto:info@advisingdealers.com)***