Silicon Valley Bank Collapse: A Critical Enterprise Risk Management Analysis of Interrelated Banking Risks, Governance Failures, and Regulatory Lessons

Part A: Real-world Banking Risk Failure from the Past Decade

1. Introduction

Silicon Valley Bank (SVB) collapsed in March 2023, one of the worst banking crises since the Global Financial Crisis of 2007–2009; this highlights that current banking risk management and regulatory oversight are simply not up to scratch. SVB was the 16th largest American lender, focusing on loans to technology start-up companies and private equity and life science firms aimed at high-tech market segments. The bank witnessed the same rapid deposit growth through COVID-19 as most banks, so it invested a higher percentage of its assets in long-dated U.S. Treasury securities and agency MBS than it should have, and got hurt by recent interest rate increases. At the same time, their prices collapsed on the steepest interest rate rises since 2022 (when, at long last and after much delay, the US Federal Reserve decided to raise interest rates significantly), and massive withdrawals pushed us into a liquidity crisis necessitating regulation.

While the most immediate catalyst for the failure seemed to be a bank run, this was not an event that occurred in isolation. Rather, it represented an interlocking pattern of multiple unfixed failures in market, liquidity, governance, operational, and strategic risks that eroded the bank's ability to withstand anything. This is consistent with the data-driven principles of Enterprise Risk Management (ERM) that emphasize managing risks collectively at the organizational level rather than in silos (COSO, 2017). According to the argument put forth by Bessis (2015), banking risk management should ideally be carried out from a comprehensive perspective that attends to the interactions between different types of risks and establishes governance frameworks that allow institutions to appreciate emerging threats by identifying, measuring, and mitigating them before they become systemic. Following the same line of argument, Stulz (2008) argues that large banking collapses are often the result of failures in governance, risk culture, or decision-making rather than an inability to measure specific risks correctly.

The SVB case also offers an important chance to assess whether international prudential standards negotiated in the aftermath of the 2007–2009 financial crisis continue to provide a suitable basis for addressing vulnerabilities in large banks. New Basel III reforms, particularly in the areas of capital requirements, liquidity standards, and stress-testing expectations, did little more than expose deeper systemic disorder: risk-appetite implementation failings, asset-liability management shortcomings, and supervisory oversight gaps that leave banks vulnerable to distress (Hull, 2012). The expansion of this case has become an instructive study of the boundaries of regulation and organizational governance in managing highly complex, rapidly evolving banking risks.

This report critically assesses the failure of Silicon Valley Bank through the Enterprise Risk Management framework, based on the relationships among market, liquidity, credit,

operational, and governance risks. It also examines the organizational, cultural, and regulatory issues that inhibited timely risk mitigation, as well as the reforms implemented after a failure to strengthen banking sector resilience. The report aims to illustrate, through parallel lines of existing theory and modern regulatory evidence, how better governance, culture, and risk management may have prevented the crisis from ever occurring to the extent and impact it did, in a pragmatic fashion.

2. Enterprise Risk Management Perspective

Enterprise Risk Management is an enterprise-wide framework for identifying, assessing, managing, and monitoring risks that may hinder the firm from achieving its strategy. On the other hand, this is a clear contrast to traditional risk management, which has usually taken a siloed approach that treats each type of risk independently, while ERM takes into consideration the correlation among various types of banking risks and therefore they must be managed as a unified system (COSO, 2017). Deriving effective enterprise risk management (ERM) for stakeholders has been a crucial platform for fortifying financial resilience towards gaining the faith of consumers and regulators; moreover, accomplishing the exercise of sustainability (Bessis, 2015), whilst exposures are cross-linked across multiple markets, providing market, credit score, liquidity, operational, compliance, and strategic dangers (For banks).

The fall of Signature Bank case demonstrates what happens when there is no **effective enterprise-wide risk management plan** in place. The immediate triggering event was a fast, unprecedented run-on customer deposit, but the crisis had much less to do with an isolated trigger than with a complex interaction of poorly managed risks. Its heavy exposure to interest rate risk depressed the market value of this long-duration securities portfolio − thereby weakening liquidity. This eroding confidence undermined depositors, who accelerated withdrawals, and a rapid shift in liquidity concerns culminated in systemic governance failure and a reputational meltdown. This is, of course, where the principle of ERM comes into play, knowing how one risk event influences how others respond.

The COSO (2017) Enterprise Risk Management Framework is a more focused theoretical framework for assessing the failure of SVB. COSO's new report emphasizes that risk management, rather than being a stand-alone compliance activity, should be integrated into an organization's strategy, governance, performance, and culture. ERM success requires boards of directors and senior management to define risk appetite, proactively track emerging risks, make role-based decisions based on expertise levels, and align risk information with the strategic decision-making process. The fraud of the SVB illustrates the unbelievable frailty of some of these dimensions, specifically with respect to governance oversight, risk identification, stress testing, and strategic risk assessment.

Indeed, in its paper from the Financial Stability Board (2013), the idea of **risk appetite** lends support to this view. Risk appetite determines how much risk a financial institution is willing to tolerate to achieve its strategic objectives and remain a going concern; therefore, having the right framework in place is essential. Lending, investment decisions, funding strategies, and capital allocation should be aligned with the risk appetite, backed by clearly defined limits and an escalation protocol. For SVB, the high concentration of uninsured deposits combined with duration mismatches between assets and liabilities, coupled with a lack of liquidity protection against interest rate risk, as shown by the bank's inability to provide loss absorption that matches its stated capacity, means its effective risk profile is incompatible with the standards used to implement governance operationalized through soundly established appetite frameworks.

Even though sophisticated measurement techniques are available for risk management, Stulz (2008) claimed that it is not the lack of accurate tools that contributes to failure in risk management but rather poor governance, communication, incentives, and organizational culture. From this vantage point, the perspective for SVB is especially relevant as earlier signs of interest-rate risk exposure, liquidity fragility, and deposit concentration were ignored for too long before management reacted. Thus, the case not only supports that appropriate governance and sound judgment are essential ingredients for effective ERM but also reinforces the view that reliance on quantitative models alone is dangerous.

But Basel III adds an extra prudential angle, practically mandating banks to build capital and liquidity buffers and subject themselves to all-encompassing stress-testing procedures as if there was a systemic collision (Basel Committee on Banking Supervision (2011; 2013; 2014)). These global standards advocate core ideas of ERM, where banks are required to assess market conditions and funding structures as well as their relations with organizational resilience. As a result, the extent to which SVB complied with both the letter and the spirit of Basel III will be one piece of this puzzle.

As such, this report takes an **Enterprise Risk Management perspective** to analyze the collapse of Silicon Valley Bank. Instead of looking at *market risk*, *liquidity risk*, *credit risk*, *operational risk*, *governance failures*, and *regulatory oversight* in isolation, the analysis explores how these factors became mutually reinforcing and ultimately undermined the bank's viability. This integrated approach is today the cornerstone of banking risk management theory and also serves as a basis for evaluating the underlying causes of the failure and the effectiveness of the reforms adopted in its aftermath.

3. Critical Analysis of Interrelated Risks

The case of Silicon Valley Bank (SVB) shows that banking crises are seldom the result of an isolated risk. Instead, they result from an interaction of reinforcing risk domains that weakens an institution's financial defenses. A case in point is how SVB's asset/liability management weaknesses became mutually reinforcing among market risk, liquidity management, governance and operational oversight, as well as regulatory supervision; all empirical characteristics of the breach of an Enterprise Risk Management (ERM) framework. Modern banking risks are interlinked, forcing the need for holistic risk management and not segregation of controls (Bessis, 2015).

3.1. Market Risk as the Initial Catalyst

Interest rate risk is one of the largest drivers of market risk, and that was normalized as the primary factor for SVB's failure. From 2020 to 2021, SVB was given the luxury of super-low interest rates, and this brought deposits from technology firms and venture capital clients soaring. Instead of using the new sources of capital to diversify its investment strategy, the bank simply invested most of these deposits in 30-year U.S. Treasury bonds and agency mortgage-backed securities.
Fixed-income securities, on the other hand (Hull, 2012), have a market value that is negatively related to interest rates. This is because SVB holdings fell sharply as part of the U.S. Federal Reserve's aggressive monetary tightening in 2022, causing the market value of SVB's security portfolio to vaporize. They were "Held-to-Maturity" (HTM) securities, so many of the losses on them were not even realized, but nonetheless, they very materially impaired the bank's financial flexibility and economic position.
Techniques used to measure market risk (like **Value at Risk (VaR**) are means of estimating the potential loss in usual times. However, one of the lessons of the 2007-2009 Global Financial Crisis is that VaR does not really capture an extreme market event or a change in yield paradigm (Hull, 2012). Against this backdrop, the Financial Stability

Board and the Basel Committee have later promoted an increased use of **stress tests and scenario analysis alongside statistical models**. This teaches us something that the case of SVB made manifest: it isn't only abstract quantitative theory, underestimating lasting interest-rate shocks in equilibrium, but also what looks like widely assented hearsay about anchor-formation hypotheses that can be rendered out of touch with changing macroeconomic behaviours if we take for granted their premises.

3.2. Asset-Liability Management and Liquidity Risk

It was not the mere market losses that led to SVB's demise, but rather the significant embedded weaknesses **in Asset-Liability Management (ALM)**, which exacerbated them. According to Bessis (2015), ALM aims to generalize this by balancing profitability and liquidity through managing maturity mismatches of asset and liability sides whilst controlling balance sheet interest-rate sensitivity.

The structure of SVB's funding was a *structural maturity mismatch.* This left them highly susceptible to a severe mismatch where long-duration securities were financed with gushingly liquid, and (more importantly) largely uninsured customer deposits. The bank's announcement of investment losses that needed to be realized, and the following intent to raise further capital, resulted in a rapid loss of confidence among depositors. In contrast to a conventional retail bank, *SVB's base of depositors was largely comprised of corporate clients with deposits far in excess of insured limits, which led to faster, more concentrated withdrawals.*

That situation quickly turned a **market risk issue** into an acute **liquidity crisis**. **Liquidity risk** is the third type of financial institution risk, when a bank has or will not have enough cash to fulfill its financial obligations as they come due while remaining solvent in the accounting sense (Bessis, 2015). In order to meet the demands of those deposits, the bank was pushed into a position to sell securities at losses much larger than unrealized market losses, therefore converting a tidal wave of unrecognized loss into on-the-books damage and driving home a powerful blow to the public confidence in broader markets. That feedback mechanism demonstrates one of the basic tenets of ERM, that is, risks seldom stay in their own bucket but instead permeate throughout an enterprise.

3.3. Governance and Operational Risk

The market and liquidity failures that were seen across many banks were underpinned in large part by worrisome gaps in governance and operational risk management. This goes beyond system failures: operational risk also includes deficiencies in internal processes, people, and governance, or due to external events (Hull, 2012). Post-crisis investigations revealed **weak board oversight and attention to risk reporting, escalation procedures, and strategic decision making that inhibited banks' ability to react appropriately to emerging threats.**

The lack of a strong Chief Risk Officer for so long, in conjunction with limited challenge from senior management and the board, resulted in diminished overall enterprise-wide risk oversight. According to Stulz (2008), significant financial losses happen predominantly due to *the failure of organizations in responding to known vulnerabilities rather than the inability to identify risks.* That observation is very much akin to the situation at SVB, in which **higher interest-rate exposure, deposit concentration, and liquidity pressures were all well-known problems before the bank's failure.**

According to the COSO (2017) Enterprise Risk Management Framework, governance is a basic element of driving the foundations for good risk management alongside organizational culture and communication. You must be able to use risk information to guide strategic decision-making, and action should be taken when exposures approach risk appetite thresholds. The governance mechanisms were not enough to contain these strategic risks, with systemic mismanagement continuing unmitigated in the case of SVB.

3.4. Credit Risk and Concentration Risk

While credit losses were not a leading cause of the failure, **credit risk and portfolio concentration** amplified the riskiness of this bank. According to Bessis (2015), credit risk refers to "the risk of default on a debt that may arise from a borrower failing to make required payments." More generally, the management of credit risks prudently also means to have diversification by sector, counterparty, and funding source.
The instability is rooted in the fact that SVB had a uniquely high-concentration business model limited to technology start-ups and venture capital firms. With deteriorating macroeconomic conditions and venture capital investment slowing, many corporate clients turned to existing deposits to fund their operations instead of raising capital. Thus, outflows from deposits surged precisely at a time when the market value of the bank's investment portfolio had fallen sharply. It illustrates how concentration risk can act as a multiplier of liquidity and market risk in an environment with little systemic borrower default.

3.5. Reputational Risk and Systemic Contagion

The interplay of market, liquidity, and governance failures eventually created a deep reputational crisis. This highlights the fact that confidence is a cornerstone of banking; banks work on a fractional-reserve basis with only approximately 10% of deposits kept in cash and easily available at all times. As soon as SVB's solvency came under scrutiny, news circulated quickly over social media and Silicon Valley venture capital circles, contributing to what became one of the quickest bank runs in modern monetary history.
The reputational decline increased liquidity constraints as depositors withdrew funds in anticipation of the possibility of failure, exemplifying the loop into which confidence and liquidity fall. This also created fears of systemic contagion, forcing intervention by the U.S. to stop a larger banking crisis from unfolding. Per the Financial Stability Board (2013), risk appetite frameworks should identify and explicitly include systemic effects and interdependencies, rather than simply limiting how much risk per category of identifiable risks.

Critical Evaluation

As an Enterprise Risk Management expert, it is not the interest-rate risk that alone destroyed Silicon Valley Bank. Instead, the collapse represented a concatenation of market risk, liquidity risk, asset-liability mismatches, governance weakness, and operational fragility, as well as concentration risk and reputational contagion. Every single risk worsened the others and led to a chain reaction of failures that exceeded the capacity of the institution. Accordingly, this case supports the argument made by COSO (2017), Bessis (2015), and Stulz (2008) that effective banking risk management holds not only on advanced quantitative models but also relies on governance integration, a forward-looking risk culture, and ongoing evaluation of interdependencies among various categories of risk.

4. Governance, Culture, and Regulatory Failure

The fall or the death of Silicon Valley Bank (SVB) cannot simply be attributed to losses or a little bad timing in the money markets. While increased interest rates and liquidity pressures were the immediate catalysts of these actions, they exposed more systemic governance, organizational culture, and regulatory failures. In fact, the most recent literature in Enterprise Risk Management (ERM) positions that strong governance is the keystone upon which all other risk management activities performed by an organization are heavily reliant (COSO, 2017). Without very strong risk governance structures, the

best risk measurement models and regulation requirements will have a negligible impact. What happened in SVB is an example, therefore, of how governance and a lack of a risk culture converted largely manageable financial risks into an institutional failure.

4.1. Weak Governance and Board Oversight

Conducting proper corporate governance on banks is a key neutralizing factor in seeking to guarantee that emerging risks are identified, measured, and mitigated. In accordance with the COSO (2017) Enterprise Risk Management Framework, boards of directors should establish risk governance structures, define organizational risk appetite, and oversee strategic decisions to ensure management maintains adequate internal controls. Likewise, Basel III stresses the need for good governance to have a stable financial environment since capital and liquidity requirements cannot substitute bad strategic decisions (Basel Committee on Banking Supervision, 2011).
Governance weaknesses were already visible long before the collapse of SVB. Deficiencies in Board oversight, lack of challenge to senior management decisions, and failure to escalate emergent risks that run through the report from the Federal Reserve (2023). Profound expansion of the bank's balance sheet and increasing exposure through both on-balance-sheet items and derivatives to interest-rate risk were not accompanied at the managerial level by governance structures that ensured coherent strategic decision-making focused on how such decisions aligned with institutional capacity for risk. This indicates that corporate strategy did not fully embrace rhetoric from COSO regarding the need to embed risk management within an organization.

In addition, the ongoing lack of a permanent Chief Risk Officer on a backdrop of elevated market volatility in general led to diminished independent oversight of enterprise-wide risks. You need to be able to sustain the conversation amongst executive management, risk specialists, and the board so that emerging vulnerabilities are detected prior to being systemic, which is vital for effective governance. Because they did not have ongoing leadership within the risk management function, it diminished the organization's capacity to challenge strategic investment decisions and track swiftly changing external factors.

4.2. Deficiencies in Risk Culture

Organizational culture plays an important role in the way risks are identified, communicated, and managed, even beyond formal governance structures. According to Sheedy and Griffin (2017), risk culture is an organization-wide embodiment of the shared values, behaviors, and attitudes that shape employees' perceptions and responses concerning risk. An organization with a benign risk culture will promote transparency, constructive challenge, and timely escalation of concerns, while an organization with a weak culture will commonly discourage the questioning of strategic decisions or the reporting of emerging threats.

The evidence to date surrounding SVB indicates that commercial growth aspirations were increasingly driving out sound risk management. Compounded on that, deposits and assets during the pandemic went through unprecedented growth with pressure to put surplus liquidity into higher-yielding long-term securities. Management did not revisit the implications of changing macroeconomic conditions and continued with strategies that increased duration risk based on the assumption of low interest rates. This is consistent with the failure of organizational judgment as opposed to a failure of quantitative risk measurement, a point argued by Stulz (2008). While information about exposure to rising interest rates and rising concentration of depositors was readily available, a failure in governance processes meant that it was not acted upon in time strategically.

The Financial Stability Board (2013) similarly argues that effective risk appetite frameworks are an organizational phenomenon requiring both documented policies and behavior. Risk appetite should inform decisions at all decision-making levels across the institution, with clearly defined escalation procedures when exposures approach established limits. For example, the heavy concentration of uninsured deposits, large-scale maturity transformation, and limited interest-rate hedging in SVB all showed a business decision-making process that was gradually lacking buffers against adverse market shocks, which could overlook effective governance.

4.3. Regulatory Oversight and Supervisory Shortcomings

The collapse of Silicon Valley Bank raises fundamental questions for the quality of prudential supervision, too. Basel III was the regulatory response to try and create a more resilient banking system and as such, emphasized tougher capital requirements, greater liquidity standards, stress-testing expectations, and processes of supervisory review (Hull, 2012). The reforms were to require banks to maintain sufficient capital and liquidity, improve corporate governance, and promote enterprise risk management. However, a recent review of the Federal Reserve's approach to organized supervision since the financial crisis revealed that supervisors discovered some major deficiencies in SVB, yet were too slow to respond (Federal Reserve, 2023). Although some weaknesses in liquidity risk management, governance, and internal controls were identified during supervisory examinations, regulatory intervention was relatively limited until after confidence in the market had begun to erode. That demonstrates that supervision cannot merely flag a risk but must also ensure that corrective action is taken in a timely manner. Thus, the SVB case exemplifies a more wider problem noted by Stulz (2008) that regulatory regimes are only effective if they are supported by sound implementation and enforcement mechanisms through which supervisory discretion is executed. Prudential standards can do little to help in the event of a banking crisis if institutions downplay the risks from an emerging trend, and a supervisor fails to act promptly despite being aware that vulnerabilities are serious.

4.4. Governance Failures within an Enterprise Risk Management Context

Rather than isolated organizational issues, the governance failures at SVB were fundamental to the crisis itself when viewed from an Enterprise Risk Management point of view. According to COSO (2017), governance creates the organizational context for all risk management activities. Inadequate governance hinders the identification of levels of risk, impedes a strategic approach to decision making, erodes accountability, and diminishes organizational resilience in times of financial hardship.

As the crisis developed, the interplay between governance shortcomings and other types of risk became more visible. Board Oversight Failing: A misalignment between strategy and capitalization enabled excessive exposure to interest-rate risks to build up; corporate risk culture was weak, such that people were discouraged from escalating concerns in a timely manner; strategic decision-making failed, increasing liquidity vulnerability at times of stress; and ineffective regulatory intervention allowed these risks to escalate. Governance failures therefore magnified market, liquidity, and reputational risk rather than contain them.

Such an interconnected pattern reinforces Bessis (2015), who argued that banking risks should not be studied separately; rather, all such risks must be seen from an integrated risk management perspective. The failure of Silicon Valley Bank shows that good governance is not just another part of Enterprise Risk Management; it is the way all other risk management processes are coordinated, tested, and made to work. Without strong governance, regulatory scrutiny, and sophisticated quantitative models.

5. Post-Failure Reforms and Industry Learning

The collapse of Silicon Valley Bank (SVB) triggered what is arguably one of the biggest reformulations of banking regulatory frameworks since the GFC in 2007–2009. The crisis was different from the GFC in that it did not originate in a collapse of subprime mortgages but it certainly showed that perceptions can shift rapidly and trust can evaporate in the financial system where weaknesses exist in governance, risk management, and supervisory oversight. Consequently, regulators moved quickly to stabilize measures and then pushed for more sweeping reforms to strengthen the resilience of banking systems in such areas as liquidity management, interest rate risk management, enterprise-wide governance, more recently institutionalization.

5.1. Immediate Regulatory Response

After SVB's collapse, U.S. authorities such as the Federal Reserve, the Federal Deposit Insurance Corporation (FDIC), and the U.S. Treasury took emergency measures to prevent contagion within the banking system. Notably, regulators backstopped all deposits in place at Silicon Valley Bank above and beyond the typical deposit insurance cap. This unprecedented move was meant to rebuild depositor confidence and prevent systemic regional bank runs from occurring.

We also learned about the Federal Reserve's launch of the Bank Term Funding Program (BTFP) to allow eligible banks to borrow, at par, rather than depressed market values on high-quality securities. This facility relieved one of the major vulnerabilities highlighted by the fall of SVB—that banks were ill-prepared to raise enough liquidity without incurring large losses on long-dated securities portfolios. The program eased banks' liquidity conditions by reducing firms' forced asset sales and helped to retain confidence in the financial system.

These prompt actions drew on one of the most basic goals of prudential regulation: to allow each bank to operate without spilling over into systemic contagion. Timely regulatory intervention is important to maintain market stability because banking crises often have a contagious nature, in the sense that they are seldom contained by direct credit exposures (Hull, 2012).

5.2. Strengthening Liquidity and Interest Rate Risk Management

The Federal Reserve conducted a review of SVB's failure and identified that the primary causes included weaknesses in liquidity risk management and interest rate risk oversight (Federal Reserve, 2023). In response, the regulators recommended a number of supervisory improvements to increase banks' resilience in financial stress periods.

One fundamental takeaway relates to the relevance of Asset-Liability Management (ALM). Effective ALM, as Bessis (2015) discusses, is about managing maturity mismatches, funding concentrations, and interest-rate sensitivity across the balance sheet. This process, which was motivated by significant returns on SVB's excessive investment in long-duration fixed-income securities financed by highly concentrated and demandable deposits, showed fundamental flaws. The future supervisory expectation is thus likely to be more focused on dynamic liquidity management, strengthening funding diversification, and thorough interest-rate stress testing.

In addition, we have witnessed regulators increasingly recognizing the inadequacies of using traditional market risk metrics such as Value-at-Risk ("VaR") alone. Despite VaR being an essential risk measuring tool, the limitations of VaR being unable to cover extreme market movements/tail-risk incidents were explored in this course (Hull, 2012). As a result, more emphasis has been placed on Expected Shortfall ES, scenario analysis, and stress-testing exercises under severe-but-plausible but rapidly changing macroeconomic conditions to test the resilience of institutions. The SVB case illustrates

this shift, showing that the long-duration volatility shock can still wreak huge losses in practice if interest rate shocks are sustained for a long period of time, despite historical vol being quite low.

5.3. Governance and Enterprise Risk Management Reforms

The most important lesson from the collapse is to 'reinforce governance and Enterprise Risk Management (ERM)'. Quantitative risk models continue to be critical, but as the SVB case showed, it is ultimately governance that will allow effective decision-making at the high levels of management where strategic decisions are made based on risk information. The Federal Reserve (2023) found that management and the board did not respond appropriately to vulnerabilities highlighted through supervisory findings over an extended period of time.

This supports what is addressed in the (COSO, 2017) Enterprise Risk Management Framework that governance, strategy, and organizational culture should work together as an integrated part of risk management—rather than as separate functions. Reforms are therefore likely to be a stronger conformance role for boards on oversight, clearer accountability for the decisions risk, and greater monitoring of organization risks appetite, and enhanced independence in respect of rigor by supervisory functions.

Likewise, the Principles for an Effective Risk Appetite Framework (2013) issued by the Financial Stability Board state that banks should: maintain clear linkages between business strategy and well-defined risk limits and escalation processes. More generally, institutions need to make sure that quick commercial expansion is done within the limitations of their operational capacity and financial robustness. SVB's downfall illuminates the dangers of letting business strategies scale faster than controls can – a reminder that risk appetite needs to be woven into every iota of company decision-making.

5.4. Implications for Basel III and Prudential Supervision

Basel III instituted radical reforms straight after the GFC (higher capital requirements, LCR, NSFR, to name a few); however, the failure of SVB showed that adherence to regulatory ratios does not remove all banking risk. Although prudential standards are a key component of financial stability, they cannot fulfill the role of good governance, proactive supervision, and prudent risk management.

Over time, the Basel Committee on Banking Supervision (2011; 2013; 2014) has taken a strong position and firmly repeated that capital adequacy, liquidity management, and supervisory review should all function as complementary instruments within an overarching integrated prudential framework. SVB's experience implies that institutions with focused funding, large duration gaps, or high beta profiles should now be under more scrutiny. Additionally, supervisory authorities could be conducting more frequent stress testing, imposing stricter governance review dates, and intervening sooner when significant weaknesses are found.

Apart from that, these outlines also mirror the overarching purpose behind macroprudential regulation to begin with—namely, wind down systemic risks before they threaten the stable functioning of finance. Over the course of this module, you have reached conclusions similar to those of regulators: confidence in the banking system hinges not just on reasonable capital and liquidity, but also on sound governance, operational resilience, and organization-wide risk culture.

Critical Evaluation and Industry Learning

Key lessons are emerging for global regulators and banks alike following the collapse of Silicon Valley Bank, experts say. First, it shows that Enterprise Risk Management is not a one-time exercise whereby market, liquidity, and operational (business) risks are

determined in isolation from one another. Second, it confirms the need for proactive Asset-Liability Management, especially during periods of rapid monetary policy shifts. Third, it reaffirms that governance and culture are still the central drivers of institutional resilience despite increasingly complex quantitative models of risk.
More generally, the SVB episode highlights that prudential regulation is a developing activity rather than an immutable statute. Although Basel III considerably reinforced the global banking system in response to weaknesses exposed by the 2007–2009 financial crisis, new vulnerabilities are always emerging because of changes in (1) capital markets, (2) technology, and (3) depositor behavior. And so sound regulation must be flexible, integrating high quantitative standards but also strong governance, strict supervision, and proactive stress testing. In this context, lessons that have been learned from Silicon Valley Bank cover the understanding of banking risks more generally and do not confine themselves to a single institutional failure.

Part B: Reflective Report

Critical Reflection on how the SVB Collapse Case Study Has Shaped my Understanding of Enterprise Risk Management, Governance, and my Approach to Risk-Aware Decision-Making

This analytical piece provides detailed insights into the Silicon Valley Bank (SVB) case and has enhanced my ***practical knowledge*** of banking risk management, beyond what is taught throughout theory. Prior to conducting this research, I perceived market risk, liquidity risk, operational risk, and governance as largely distinct disciplines implemented in isolation through individual policies and models by various departments with separate leadership silos allocating capital and fulfilling regulatory requirements. Applying an Enterprise Risk Management (ERM) approach to the SVB collapse fundamentally and objectively eliminates this perception, as a macro imaging view of a banking crisis reveals that rarely is it derived from one core risk source. Instead, they are the outcome of threaded financial, operational, and governance failures that cumulatively weaken institutional resilience.

This insight is especially pertinent to my ***current role*** at the Groupement Interbancaire Monétique de l'Afrique Centrale (GIMAC), where in supporting the development of interoperable regional payment systems and digital financial infrastructure across CEMAC. While GIMAC is not a commercial bank accepting deposits, the continued strength of the regional payment ecosystem relies on the prudent credit risk management practices employed by financial institutions as well as other participants in the system. Reviewing the SVB case has emphasized to me that payment infrastructures can not be separated from financial stability in a bank. A failure in liquidity management or governance by one institution may quickly halt payment flows, erode trust among counterparties, and transmit systemic effects across particular financial networks.

This analysis has also helped to ***solidify my knowledge of liquidity management in modern payment ecosystems***. Most instant payment systems allow customers ongoing access to funds and almost immediate settlement of payments. Although these innovations enhance efficiency and expand financial inclusion, they also serve to accelerate the pace at which liquidity pressures can emerge in times of financial stress. SVBS rapid digital bank run is a case in point of the way that technological advances, married to highly interconnected financial networks, can transmit systemic risk. In the face of the ongoing expansion of regional payment infrastructures in Central Africa,

arrangements for sufficient liquidity, contingency planning, and resilience could be key to building confidence in interoperable payment systems.

Additionally, this report has ***improved my knowledge of the significance of governance and culture in banking***. For most of my career, I have equated risk management with regulatory compliance, technical standards, and operational controls. Yet the SVB case shows that no amount of complex quantitative models or even quasi-regulatory prudential regulations can offset weak governance, ineffective board oversight, or questionable strategic judgment. This echoes the concepts seen in Enterprise Risk Management earlier in the module, where governance, risk appetite, and an organization's culture create a core set of ideals upon/which all other risk management activities are built.

The case has also ***changed the way I think about systemic risk in regional financial market infrastructures*** from a broader perspective of the financial sector. To this end, interoperability initiatives, such as instant payments and cross-border transfers, in addition to digital financial services, present an opportunity that must be pursued while managing the trade-off between innovation and financial stability. The collapse of the SVB illustrates that more interdependency means claiming efficiency and likewise fragility. Therefore, it is important that payment infrastructures in the future be designed to not only ensure operational performance but also enhance resilience under stressed market conditions with adequate governance arrangements, supervision, stress testing, and crisis management arrangements.

Lastly, this assignment ***has reaffirmed my future professional goals***. I plan to do this by working on usable Digital Public Infrastructure (DPI), payment systems, and the regulation of financial sectors, whether at regional institutions, central banks, or global organizations such as the World Bank Group. As a whole, the analytical frameworks covered in this module, Enterprise Risk Management, Asset-Liability Management, Basel III and associated developments, operational resilience, and collective systemic risk management, have helped to frame those ambitions with more conceptual rigor. Above all, the SVB example has shown us that good banking regulation is not just about making sure applications of prudential rules are followed, but also looking ahead to future vulnerabilities and resiliency, improving institutions' governance, building a robust risk culture and attitude required for sustainable financial stability. The lessons learned will directly influence my future work in reinforcing interoperable financial ecosystems and advancing inclusive, resilient, and well-governed financial systems across Africa.

Conclusion

Silicon Valley Bank is among the biggest bank failures since the Global Financial Crisis era to date, and demonstrates a textbook example of how Enterprise Risk Management (ERM) has been implemented incorrectly in today´s financial system. This report has shown that the collapse of SVB cannot be attributed to a single external shock, such as increasing interest rates or an unexpected bank run, but rather is a consequence of pervasive and interconnected deficiencies in market risk management, asset-liability management, liquidity management, governance, operational oversight, and regulatory supervision. These risks were not independent of one another: they compounded each other, creating a domino chain of failures that indirectly eroded the bank's financial strength and led to a very fast onset of market panic.

In this regard, the collapse viewed through the Enterprise Risk Management prism suggests that sustainable banking resilience is contingent upon identifying and managing interlinkages between different categories of risk. While quantitative methods such as Value at Risk (VaR), stress tests, and prudential capital requirements are still essential tools in the toolkit of modern risk management, they cannot single-handedly prevent banking crises when used in isolation. They are effective only when they have strong corporate governance and a clearly expressed risk appetite, fast decision-making from senior management and boards of directors, and an embedded risk culture. The COSO (2017) ERM Framework emphasized that risk management should not act as a separate compliance exercise but be integrated into the organizational strategy, governance, and performance. The more SVB case illustrates Stulz's (2008) conclusion that the real weakness in risk management is unlikely to lie with quantitative models, but rather with governance, judgment, and organizational behavior.

This analysis also demonstrates that prudential regulation is not a static exercise. Basel III has done a great deal to strengthen capital adequacy, liquidity requirements, and supervisory expectations since the Global Financial Crisis, but problems associated with interest rate risk, liquidity management practices, governance, and supervision implementation came to light in relation to events surrounding Silicon Valley Bank. Accordingly, many post-failure reforms emphasize the need for more rigorous supervision, stronger governance structures, better stress testing, and an enterprise-wide risk management framework that can be adjusted to rapidly evolving financial and macroeconomic contexts.

More than the immediate catalysts of the SVB failure, this case offers larger lessons about trends for banking in an increasingly digital and interconnected financial world. Across such changes - instant payment systems, interoperable digital financial services, and Digital Public Infrastructure (DPI) - preserving confidence in financial institutions will necessitate going beyond compliance with prudential standards to resilient governance along with proactive risk management and crisis preparedness. Financial stability can no longer be sequentially viewed through the resilience of individual institutions; you also need to look at the resilience of the wider financial ecosystem in which those institutions exist.

On a more professional level, conducting this analysis confirmed that an integrated approach to risk management in regional payment infrastructures and interconnected financial ecosystems is indeed warranted. It reinforced my belief that solid governance, bad debt management, and prudential supervision are imperative to sustaining trust in financial markets and payment systems. These lessons shall guide my contributions to make financial systems resilient and inclusive across the African continent, and eventually be a stepping stone in my long-term ambition to contribute to global financial stability through institutions like the World Bank Group or banking regulatory bodies.

In the final analysis, the Silicon Valley Bank case is a serious reminder that banking does not just need to be profitable or grow, but also needs to be well-managed and resilient as an institution. Enterprise Risk Management must evolve from a reactive compliance function into a strategic capability embedded in the business in an increasingly complex and rapidly evolving global financial system. Leadership and management are the pinnacle of digging a deep, driven enterprise from actions to cultivate a long-term state.

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