

## Banking &amp; Financial Services

# The next fallout from SVB collapse? What Albany CEOs are watching

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The failure of Silicon Valley Bank sent shockwaves through the economy over the weekend

J. JENNINGS MOSS/SILICON VALLEY BUSINESS JOURNALS

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Banking leaders in the Albany region say the circumstances that led to the collapse of Silicon Valley Bank, and two others, were isolated incidents and that the region's banks remain strong.

The failure of Silicon Valley Bank – the largest since the 2008 financial crisis – sent shockwaves through the economy over the weekend, creating fears that the nation's banking system could collapse.

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Investors erased more than \$100 billion in market value from U.S. banks as stocks tumbled for midsize financial institutions across the country. That fear prompted regulators to take actions to shore up deposits and stem any broader collapse, including taking over New York-based Signature Bank.

Charles Cronin, president of the commercial real estate finance and advisory firm Axiom Capital Corp. in Clifton Park, works with banks and other lenders around the country to finance projects. (Axiom was recently acquired by Community Bank.)

He said the moves federal regulators made over the weekend were necessary to stop a more extreme run on deposits at banks, and those actions have stemmed the largest concerns for business owners and depositors.

"Many people were very nervous, and I spent majority of yesterday fielding calls from people who were nervous," Cronin said.

"The banking system is very solid, there's going to be some challenges that are coming up with all the banks," he added. "But all the banks locally are very solid."



Charles Cronin is president of Axiom Capital Corp. in Clifton Park.

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## How SVB is different than local institutions

Silicon Valley Bank was not your average midsize regional or community bank.

When it closed, SVB was the 16th-largest bank in the country, and had \$213 billion in assets at the end of 2022. The bank had grown 215% in the last two years, servicing almost half of the country's venture-backed tech and life science companies, as well as 2,500 venture capital firms.

That made the bank strikingly different than most banks in the Albany region, said John Buhrmaster, CEO of 1st National Bank of Scotia.

Buhrmaster spent the weekend following the news of the collapse of SVB and Signature Bank in Hawaii at the annual Independent Community Bankers of America convention with thousands of other community bankers.

"If you look at community banks like our bank, Ballston Spa National Bank, Glens Falls National Bank, Adirondack Trust, all of us, we are strong," Buhrmaster said. "Without advertising, people understand the safety of a community bank because we invest in them and their neighbors. We do not go out and lend to crypto. ... We do lend to startup businesses, but we do not lend hundreds of millions of dollars in venture capital."

Part of the reason behind SVB's collapse was the type of clients it served and the way the bank managed its deposits.

Where traditional banks provide banking services to dozens of different industries, SVB provided banking services to mostly tech and life sciences companies, their employees and executives. As interest rates rose and technology startups started getting low on cash in a tougher economic climate, clients started to withdraw their money. To fulfill its customers' requests, the bank had to sell some of its investments at a steep discount. The bank also had a large number of uninsured depositors, who started to withdraw their money, causing a bank run when trouble started brewing last week.

Signature Bank, which had about one-fourth of its deposits in cryptocurrency businesses, was taken over by state regulators after customers withdrew more than \$10 billion in deposits from the bank on Friday.



John Buhrmaster is president and CEO of 1st National Bank of Scotia.

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## What bank executives are watching

Buhrmaster said he's watching to see if there will be more runs on larger banks that are concentrated in risky businesses like crypto.

"My advice to customers is if they can't understand the balance sheet of the bank they keep their large deposits in, then they need to find a simple community bank that just lends to other community members," he said.

Daniel Fariello, president of Capital Bank, a division of Chemung Canal trust Co., is watching the types of banks the federal government is taking over, and what their core business is.

"If those banks start to look like that traditional banking, it's more of a concern," Fariello said. "If it's banks that operate in areas that are more niche, like crypto or tech startups, then I'll sleep easier."

Fariello said unlike SVB, the majority of Capital Bank's large deposit customers with more than \$250,000 in cash are insured through Insured Cash Sweep, which allows deposits to be shared with other banks, or CDARS (Certificate of Deposit Account Registry Service). That makes a bank run much less likely.

Thomas Amell, CEO of Pioneer in Colonie, echoed Fariello's statements.

"I've seen this several times before in my past. First question I always ask: 'Is this an isolated set of circumstances, or is this a systemic issue,'" Amell said. "With these two banks, it's an isolated set of circumstances, one focused on the startup community and another heavily in cryptocurrency."

## What's coming next

With the Albany region's economy heavily focused on education, state government and health care – industries that are less risky than the tech startups in Silicon Valley – the region is less susceptible to wide swings in the economy.

Cronin said there are some challenges that banks will face this year, from slower demand due to higher interest rates to how the office market plays out amid a shift to remote or hybrid work.

"There will be some hits to office portfolios, that one of the challenges," Cronin said. "I don't think there's a cause for alarm today. We need to see how things play out in the next few days. There may be one or two more [banks] that [federal regulators] takes over, but the system is very solid."

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