

**MEMORANDUM OF UNDERSTANDING**

by and among

**SVB FINANCIAL GROUP**

Santa Clara, California

**SILICON VALLEY BANK**

Santa Clara, California

**FEDERAL RESERVE BANK OF SAN FRANCISCO**

San Francisco, California

and

**CALIFORNIA DEPARTMENT OF  
FINANCIAL PROTECTION AND INNOVATION**

Sacramento, California

WHEREAS, SVB Financial Group, Santa Clara, California (“SVBFG”) is a registered bank holding company that owns and controls Silicon Valley Bank, Santa Clara, California (the “Bank” and collectively with SVBFG, the “Firm”), a state member bank, and various nonbank subsidiaries;

WHEREAS, the California Department of Financial Protection and Innovation (the “Department”) is the appropriate state supervisor for SVBFG and the Bank and the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the appropriate federal supervisor of SVBFG and the Bank;

WHEREAS, SVBFG has a number of separate business lines and legal entities that must comply with a wide range of applicable laws, rules, and regulations;

WHEREAS, SVBFG has adopted a firm-wide risk management program designed to identify and manage risks across the consolidated organization;

WHEREAS, the Reserve Bank and the Department (collectively, the “Supervisors”) conducted supervisory assessments of SVBFG and the Bank in 2020, 2021, and 2022 that, identified significant deficiencies in SVBFG’s and the Bank’s oversight by their respective boards of directors and senior management and the Firm’s risk management program, information technology program, liquidity risk management program, third-party risk management program, and internal audit program;

WHEREAS, it is the common goal of SVBFG, the Bank, the Reserve Bank, and the Department that SVBFG and the Bank comply with all applicable federal and state laws, rules, and regulations;

WHEREAS, SVBFG, the Bank, the Reserve Bank, and the Department have mutually agreed to enter into this Memorandum of Understanding (the “MOU”); and

WHEREAS, the boards of directors of SVBFG and the Bank have authorized the undersigned to enter into this MOU on behalf of SVBFG and the Bank and consent to compliance with each and every applicable provision of this MOU by SVBFG and the Bank.

NOW, THEREFORE, the Reserve Bank, the Department, SVBFG, and the Bank agree as follows:

#### **Source of Strength**

1. The board of directors of SVBFG shall take appropriate steps to fully utilize SVBFG’s financial and managerial resources, pursuant to section 38A of the FDI Act (12 U.S.C. § 1831o-1) and section 225.4(a) of Regulation Y of the Board of Governors of the Federal Reserve System (the “Board of Governors”) (12 C.F.R. § 225.4(a)), to serve as a source of

strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with any supervisory action taken by its federal or state regulators.

### **Board Oversight**

2. Within 90 days of the effective date of this MOU, SVBFG's board of directors shall submit a written plan acceptable to the Supervisors to strengthen its effectiveness in overseeing the Firm's operations and senior management. The plan shall include the following five items:

(a) an assessment of the current structure, qualifications, and composition of SVBFG's board of directors and its committees to ensure that an appropriate number of directors possess the requisite risk management experience commensurate with the complexity and size of SVBFG;

(b) actions to establish a risk management committee and an audit committee, comprised of individuals with the qualifications, experience, knowledge, and training necessary to fulfill their duties and responsibilities, which will meet pursuant to an established regular schedule with SVBFG's senior executives to provide oversight, discuss remediation of deficiencies, and serve as the appropriate escalation forum;

(c) measures to hold SVBFG and the Bank's senior management accountable for remediating the deficiencies identified by this MOU and maintaining a risk-management and controls framework that meets the requirements of this MOU, including ensuring that compensation and other incentive compensation is consistent with risk management objectives and measurement standards;

(d) measures to ensure that the individuals or groups charged with carrying out SVBFG's risk management program are supported by adequate resources and staffing levels with the requisite stature, authority, and expertise; and

(e) steps to ensure comprehensive reporting provided to SVBFG's board of directors and its committees charged with oversight of risk management and internal audit include information of sufficient quality, granularity, and reliability to ensure the board of directors' and its committees' effective oversight of SVBFG's risk identification and assessment and adequate and timely remediation of regulatory deficiencies.

### **Risk Management Program**

3. Within 90 days of the effective date of this MOU, SVBFG and the Bank shall submit a written plan acceptable to the Supervisors to strengthen the Firm's enterprise-wide risk management program to be consistent with the requirements set forth in section 252.33 of Regulation YY of the Board of Governors (12 C.F.R. § 252.33). The plan shall provide for a sustainable risk management framework that includes the following four items:

- (a) enhanced written policies and procedures, including regular training thereon, to facilitate compliance with Regulation YY;
- (b) clearly defined roles and responsibilities for risk management personnel in the business lines and risk functions, including periodic assessments that ensure personnel are functioning effectively;
- (c) steps to enable the timely identification, assessment, mitigation, , monitoring, and reporting of risk exposures, including:
  - (i) improvements to the information, reports, and data provided to senior management concerning identified and developing risks; and

(ii) enhancements to the escalation and challenge processes for the business lines and the risk functions to ensure each exercises responsibility for risk identification, mitigation, monitoring, acceptance and reporting; and

(d) an effective testing and validation process to assess compliance with internal controls.

### **Internal Audit**

4. Within 90 days of the effective date of this MOU, SVBFG and the Bank shall submit a written plan acceptable to the Supervisors to improve the Firm's internal audit program. The plan shall provide for a sustainable internal audit framework consistent with relevant supervisory guidelines including the Interagency Policy Statement on the Internal Audit Function and its Outsourcing, dated April 22, 2003 (SR 03-5) and the Supplemental Policy Statement on the Internal Audit Function and its Outsourcing, dated January 23, 2013 (SR 13-1 (Sup)) that includes the following five items:

- (a) measures to establish an appropriate complete audit universe and a comprehensive risk assessment methodology based on the size and complexity of the Firm;
- (b) steps to develop and establish an appropriate audit coverage based on risk assessments;
- (c) measures to affect a continuous monitoring program for identification of emerging risks, changes in business strategy, and organizational structure to ensure appropriate updates to internal audit's plans;
- (d) steps to ensure audits are executed in alignment with supervisory and industry standards; and

(e) timely resolution of findings from audits and follow-up reviews to ensure implementation of corrective measures.

### **Information Technology Risk Management**

5. Within 90 days of the effective date of this MOU, the SVBFG and the Bank's senior management shall submit a written plan acceptable to the Supervisors to strengthen the Firm's information technology ("IT") risk management program. The plan shall provide for a sustainable risk management framework that includes the following six items:

- (a) measures to enhance SVBFG and the Bank's boards of directors and senior management oversight to ensure that the Firm's IT risk management program is commensurate with its size, complexity, and risk profile;
- (b) steps to ensure that those with responsibility for IT risk management at SVBFG and the Bank have clearly defined roles and responsibilities, possesses the appropriate subject matter expertise and stature, and are supported by adequate resources and staffing;
- (c) steps to ensure that SVBFG and the Bank maintain a comprehensive, adequately detailed, and accurate inventory of IT assets, and shall include enhanced end-of-life IT processes;
- (d) measures to ensure that SVBFG and the Bank maintain an effective identity and access management governance program;
- (e) an effective testing and validation process to assess the effectiveness of internal controls and identify any deficiencies; and
- (f) measures to ensure management information systems appropriately identify, track, and report deficiencies in vulnerability management to SVBFG and the Bank's



boards of directors and senior management, as applicable, with sufficient granularity to enable oversight of remediation and any delays.

### **Third Party Risk Management**

6. Within 90 days of the effective date of this MOU, SVBFG and the Bank shall submit a written plan acceptable to the Supervisors to improve the Firm's third-party risk management program. The plan shall provide for a sustainable third-party risk management framework, in alignment with applicable supervisory expectations, that include the following three items:

- (a) enhanced written policies and procedures, including regular training thereon, related to:
  - (i) ensuring that the inventory of third-party vendors is complete and reviewed on a quarterly basis;
  - (ii) ensuring that risk assessments and ratings for third-party vendors are reviewed and updated according to an established and regular schedule;
  - (iii) enhancing the ongoing monitoring of third-party vendors; and
  - (iv) establishing a formal governance program relating to third-party vendor life cycle within the Firm-wide risk management program;
- (b) clearly defined roles and responsibilities for risk management personnel in business lines and risk functions, including periodic assessments that ensure the defined roles and responsibilities are functioning effectively; and
- (c) measures to enable the timely identification, assessment, mitigation, monitoring, and reporting of risk exposures, including:

- (i) improvements to the information, reports, and data provided to senior management concerning identified and developing risks;
- (ii) enhancements to the escalation and challenge processes for the business lines and the risk functions to ensure each exercises responsibility for risk identification, mitigation, monitoring, and reporting; and
- (iii) an effective testing and validation process to assess compliance with internal controls.

### **Liquidity Risk Management**

7. Within 90 days of the effective date of this MOU, SVBFG and the Bank shall submit a written plan acceptable to the Supervisors to improve the Firm's liquidity risk management program. The plan shall provide for a sustainable liquidity risk management framework that includes the following two items:

- (a) enhancements to the Firm's liquidity stress testing framework including enhanced deposit segmentation, scenario design, and key assumptions to ensure the stress test includes appropriate level of stress and well-supported assumptions that are reflective of SVBFG's stress scenarios and vulnerabilities; and
- (b) procedures for effective independent review, oversight, and challenge of the Firm's liquidity risk management framework, including the underlying assumptions utilized in various scenarios and the processes to monetize the liquidity buffer in times of stress, consistent with the requirements set forth in Regulation YY (12.C.F.R. Part 252).

### **Progress Reports**

8. Within 45 days of the end of each calendar quarter following the effective date of this MOU, the board of directors of SVBFG, the Bank, or authorized committees thereof, shall



submit to the Supervisors written progress reports detailing the form and manner of all actions taken to secure compliance with this MOU, a timetable and schedule to implement specific remedial actions to be taken, and the results thereof.

### **Approval and Implementation**

9. (a) SVBFG and the Bank shall submit written plans that are acceptable to the Supervisors within the applicable time periods set forth in paragraphs 2 through 7 of this MOU. Each plan shall contain a timeline for full implementation of the plan with specific deadlines for completion of each component of the plan.

(b) Within 10 days of approval by the Supervisors, SVBFG and the Bank shall adopt the approved plans. Upon adoption, SVBFG and the Bank shall implement the approved plans and thereafter fully comply with them.

(c) During the term of this MOU, the approved plans shall not be amended or rescinded without the prior written approval of the Supervisors.

### **Communications**

10. All communications regarding this MOU shall be sent to the Reserve Bank's centralized mailbox at **Redacted**[@sf.frb.org](mailto:Redacted@sf.frb.org) and to the following individuals:

(a) **Redacted**  
Central Point of Contact  
Federal Reserve Bank of San Francisco  
950 S. Grand Avenue  
Los Angeles, California 90115  
**Redacted**

(b) **Redacted**  
California Department of Financial  
Protection and Innovation  
2101 Arena Boulevard  
Sacramento, California 95834  
**Redacted**[@dfpi.ca.gov](mailto:Redacted@dfpi.ca.gov)

(c) **[NAME]**

[TITLE]

SVBFG Financial Group  
3003 Tasman Drive  
Santa Clara, California 95054

(d)

[NAME]

[TITLE]

Silicon Valley Bank  
3003 Tasman Drive  
Santa Clara, California 95054

### **Miscellaneous**

11. Notwithstanding any provision of this MOU, the Supervisors may in their sole discretion, grant written extensions of time to SVBFG and the Bank to comply with any provision of this MOU.

12. The provisions of this MOU shall be binding upon SVBFG, the Bank, and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the FDI Act (12 U.S.C. §§ 1813(u) and 1818(b)(3)), in their capacities as such, and their successors and assigns.

13. Each provision of this MOU shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Supervisors.

14. The provisions of this MOU shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the Department, or any other federal or state agency from taking any other action affecting SVBFG, the Bank, any of their subsidiaries, or any of their current or former institution-affiliated parties and their successors and assigns.

15. This MOU is not a "Written Agreement" pursuant to Pursuant to section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this MOU to be executed as of the \_\_\_\_\_ day of \_\_\_\_\_ 2023.

SVBFG FINANCIAL GROUP

FEDERAL RESERVE BANK OF  
SAN FRANCISCO

By: \_\_\_\_\_  
NAME:  
TITLE:

By: \_\_\_\_\_  
NAME:  
TITLE:

SILICON VALLEY BANK

CALIFORNIA DEPARTMENT OF  
FINANCIAL PROTECTION AND  
INNOVATION

By: \_\_\_\_\_  
NAME:  
TITLE:

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