

FEDERAL RESERVE SYSTEM

SVB Financial Group
Santa Clara, California

Order Approving the Merger of Bank Holding Companies, the Merger of Banks,
and the Establishment of Branches

SVB Financial Group (“SVB Group”), Santa Clara, California, a financial holding company within the meaning of the Bank Holding Company Act of 1956 (“BHC Act”),¹ has requested the Board’s approval under section 3 of the BHC Act² to merge with Boston Private Financial Holdings, Inc. (“Boston Private”) and thereby indirectly acquire its subsidiary state member bank, Boston Private Bank & Trust Company (“BP Bank”), both of Boston, Massachusetts. In addition, SVB Group’s subsidiary state member bank, Silicon Valley Bank (“SVB Bank”), Santa Clara, California, has requested the Board’s approval to merge with BP Bank pursuant to section 18(c) of the Federal Deposit Insurance Act (“Bank Merger Act”),³ with SVB Bank as the surviving entity. SVB Bank also has applied under section 9 of the Federal Reserve Act (“FRA”)⁴ to establish and operate branches at the locations of the main office and branches of BP Bank and under section 9 of the FRA⁵ and section 208.3(d)(2) of the Board’s Regulation H⁶ to change the general character and corporate powers of SVB Bank’s business.

¹ 12 U.S.C. § 1841 *et seq.*

² 12 U.S.C. § 1842.

³ 12 U.S.C. § 1828(c).

⁴ 12 U.S.C. § 321. These locations are listed in the Appendix.

⁵ *Id.*

⁶ 12 CFR 208.3(d)(2).

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (86 Federal Register 13377 (March 8, 2021)) in accordance with the Board's Rules of Procedure.⁷ The time for submitting comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in the BHC Act, the Bank Merger Act, and the FRA. As required by the Bank Merger Act, a report on the competitive effects of the merger was requested from the United States Attorney General, and a copy of the request has been provided to the Federal Deposit Insurance Corporation.

SVB Group, with consolidated assets of approximately \$116.0 billion, is the 37th largest insured depository organization in the United States, controlling approximately \$102.5 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.⁸ SVB Group controls SVB Bank, which operates in California.⁹ SVB Bank is the 5th largest insured depository institution in California, controlling deposits of approximately \$69.3 billion, which represent approximately 3.9 percent of the total deposits of insured depository institutions in that state.

Boston Private, with consolidated assets of approximately \$10.0 billion, is the 155th largest insured depository organization in the United States, controlling approximately \$8.6 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Boston Private controls BP Bank, which operates in California and Massachusetts. BP Bank is the 46th largest insured depository institution in California, controlling deposits of approximately \$2.7 billion, which represent less than 1 percent of the total

⁷ 12 CFR 262.3(b).

⁸ Consolidated asset and deposit data are as of December 31, 2020. State deposit data are as of June 30, 2020, unless otherwise noted. In this context, insured depository institutions include commercial banks, savings banks, and savings associations.

⁹ SVB Bank's main office and branches are in California. SVB Bank also operates a loan production office in Massachusetts.

deposits of insured depository institutions in that state. BP Bank is the 14th largest insured depository institution in Massachusetts, controlling deposits of approximately \$4.8 billion, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

On consummation of this proposal, SVB Group would become the 35th largest insured depository organization in the United States, with consolidated assets of approximately \$126.1 billion, which represent less than 1 percent of the total amount of assets of insured depository institutions in the United States. SVB Group would control consolidated deposits of approximately \$111.1 billion, which represent less than 1 percent of the total deposits of insured depository institutions in the United States. SVB Bank would remain the 5th largest insured depository organization in California, controlling deposits of approximately \$72.0 billion, which represent approximately 4.0 percent of the total amount of deposits of insured depository institutions in that state. SVB Bank would become the 14th largest insured depository organization in Massachusetts, controlling deposits of approximately \$4.8 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in that state.

Interstate and Deposit Cap Analyses

Section 3(d) of the BHC Act generally provides that, if certain conditions are met, the Board may approve an application by a bank holding company that is well capitalized and well managed to acquire control of a bank located in a state other than the home state of the bank holding company without regard to whether the transaction would be prohibited under state law.¹⁰ Similarly, section 44 of the Federal Deposit Insurance Act (“FDI Act”) generally provides that, if certain conditions are met, the Board may approve an application by a bank to engage in an interstate merger transaction with a bank that has a different home state without regard to whether the transaction would be prohibited under state law, provided that the resulting bank would be well capitalized and

¹⁰ 12 U.S.C. § 1842(d)(1)(A).

well managed.¹¹ The Board may not approve under either provision an application that would permit an out-of-state bank holding company or out-of-state bank to acquire a bank in a host state if the target bank has not been in existence for the lesser of the state statutory minimum period of time or five years.¹² In addition, the Board may not approve an interstate application under these provisions if the bank holding company or resulting bank controls or, upon consummation of the proposed transaction would control, more than 10 percent of the total deposits of insured depository institutions in the United States or, in certain circumstances, if the bank holding company or resulting bank, upon consummation, would control 30 percent or more of the total deposits of insured depository institutions in any state in which the acquirer and target have overlapping banking operations.¹³ Moreover, the Bank Merger Act includes a prohibition on approval of interstate transactions where the resulting insured depository institution, together with its insured depository institution affiliates, controls or, upon consummation of the proposed transaction, would control, more than 10 percent of the total amount of deposits of insured depository institutions in the United States.¹⁴

¹¹ 12 U.S.C. § 1831u(a)(1).

¹² 12 U.S.C. § 1842(d)(1)(B); 12 U.S.C. § 1831u(a)(5).

¹³ 12 U.S.C. § 1842(d)(2)(A) and (B); 12 U.S.C. § 1831u(b)(2)(A) and (B). The acquiring and target organizations have overlapping banking operations in any state in which any bank to be acquired is located and the acquiring bank holding company controls any insured depository institution or a branch. For purposes of section 3(d) of the BHC Act, the Board considers a bank to be located in the states in which the bank is chartered or headquartered or operates a branch.

¹⁴ 12 U.S.C. § 1828(c)(13).

For purposes of these provisions, the home state of SVB Group is California.¹⁵ The home state of SVB Bank also is California.¹⁶ The home state of BP Bank is Massachusetts, and BP Bank is located in California and Massachusetts. SVB Group, SVB Bank, and BP Bank are well capitalized and well managed under applicable law, and SVB Bank also would be well capitalized and well managed upon consummation of the proposal. Massachusetts has a three-year minimum age requirement, and there are no minimum age requirements under the laws of California that apply to SVB Group’s acquisition of Boston Private and BP Bank.¹⁷ BP Bank has been in existence for more than three years, and SVB Bank has a “Satisfactory” rating under the Community Reinvestment Act of 1977 (“CRA”).¹⁸

On consummation of the proposed transaction, SVB Group would control less than 1 percent of the total amount of consolidated deposits in insured depository institutions in the United States. Massachusetts imposes a 30 percent limit on the total amount of in-state deposits that a single banking organization may control.¹⁹ The combined organization would control approximately 0.96 percent of the total amount of deposits of insured depository institutions in Massachusetts. Accordingly, in light of all the facts of record, the Board is not precluded from approving the proposal under

¹⁵ 12 U.S.C. § 1841(o)(4). A bank holding company’s home state is the state in which the total deposits of all banking subsidiaries of such company were the largest on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

¹⁶ 12 U.S.C. § 1841(o)(4); 12 U.S.C. § 1831u(g)(4). A state bank’s home state is the state by which the bank is chartered.

¹⁷ Mass. Gen. Laws ch. 167A, § 2; Cal. Fin. Code § 1685(a).

¹⁸ 12 U.S.C. § 2901 *et seq.* Only one of the states in which SVB Bank operates, Massachusetts, has a state community reinvestment law. Mass. Gen. Laws. ch. 167, § 14. Massachusetts’ state community reinvestment law does not appear to apply to SVB Bank.

¹⁹ Mass. Gen. Laws ch. 167A, § 2. California does not impose a limit on the total amount of deposits an insured depository institution may control.

section 3(d) of the BHC Act, section 44 of the FDI Act, or the interstate provisions of the Bank Merger Act.

Competitive Considerations

Section 3 of the BHC Act and the Bank Merger Act prohibit the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant market.²⁰ The BHC Act and the Bank Merger Act also prohibit the Board from approving a proposal that would substantially lessen competition or tend to create a monopoly in any banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the communities to be served.²¹

SVB Group and Boston Private have subsidiary banks that compete directly in the San Francisco-Oakland-San Jose, California, banking market (“San Francisco market”).²² The Board has considered the competitive effects of the proposal in this banking market. In particular, the Board has considered the number of competitors that would remain in the banking market; the relative shares of total deposits in insured depository institutions in the market (“market deposits”) that SVB Group would control;²³ the concentration levels of market deposits and the increase in these levels as

²⁰ 12 U.S.C. § 1842(c)(1)(A); 12 U.S.C. § 1828(c)(5)(A).

²¹ 12 U.S.C. § 1842(c)(1)(B); 12 U.S.C. § 1828(c)(5)(B).

²² The San Francisco market is defined as the San Francisco-Oakland-San Jose metropolitan area in Alameda, Contra Costa, Marin, San Francisco, San Mateo, and Santa Clara counties, as well as portions of Sonoma, Solano, San Benito, and Napa counties.

²³ Deposit and market share data are as of June 30, 2020, and unless otherwise noted, are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors to commercial banks. *See, e.g., Midwest Financial Group*, 75 Federal Reserve Bulletin 386 (1989); *National City Corporation*, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in market share calculations on a 50 percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 Federal Reserve Bulletin 52 (1991).

measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice Bank Merger Competitive Review guidelines (“DOJ Bank Merger Guidelines”);²⁴ and other characteristics of the market.

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines in the San Francisco market. On consummation, the San Francisco market would remain moderately concentrated as measured by the HHI, according to the DOJ Bank Merger Guidelines. The change in the HHI in this market would be small, and numerous competitors would remain.²⁵

The DOJ also has conducted a review of the potential competitive effects of the proposal and has advised the Board that consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market.

²⁴ Under the DOJ Bank Merger Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The Department of Justice (“DOJ”) has informed the Board that a bank merger or acquisition generally would not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. Although the DOJ and the Federal Trade Commission issued revised Horizontal Merger Guidelines in 2010, the DOJ has confirmed that its Bank Merger Guidelines, which were issued in 1995, were not modified. *See* Press Release, Department of Justice (August 19, 2010), <https://www.justice.gov/opa/pr/departments-justice-and-federal-trade-commission-issue-revised-horizontal-merger-guidelines>.

²⁵ SVB Group operates the third largest depository institution in the San Francisco market, controlling deposits of approximately \$69.1 billion, which represent approximately 10.0 percent of market deposits. Boston Private operates the 20th largest depository institution in the market, controlling deposits of approximately \$2.0 billion, which represent approximately 0.3 percent of market deposits. On consummation of the proposal, SVB Group would remain the third largest depository organization in the market, controlling deposits of approximately \$71.1 billion, which represent approximately 10.2 percent of market deposits. The HHI for the San Francisco market would increase by 6 points to 1,773, and 79 competitors would remain in the market.

In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in the San Francisco market or in any other relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

Financial, Managerial, and Other Supervisory Considerations

In reviewing a proposal under section 3 of the BHC Act and the Bank Merger Act, the Board considers the financial and managerial resources and the future prospects of the institutions involved, the effectiveness of the institutions in combating money laundering, and any public comments on the proposal.²⁶ In its evaluation of financial factors, the Board reviews information regarding the financial condition of the organizations involved on both parent-only and consolidated bases, as well as information regarding the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of public and supervisory information regarding capital adequacy, asset quality, liquidity, and earnings performance, as well as the impact of the proposed funding of the transaction. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to absorb the costs of the proposal and to complete effectively the proposed integration of the operations of the institutions. In assessing financial factors, the Board considers capital adequacy to be especially important. The Board considers the future prospects of the organizations involved in the proposal in light of their financial and managerial resources and the proposed business plan.

²⁶ 12 U.S.C. § 1842(c)(2), (5), and (6); 12 U.S.C. § 1828(c)(5) and (11).

SVB Group, Boston Private, and their subsidiary depository institutions are well capitalized, and the combined organization would remain so on consummation of the proposal. The proposed transaction is a bank holding company merger that is structured as a cash and share exchange, with a subsequent merger of the subsidiary banks.²⁷ The asset quality, earnings, and liquidity of SVB Group and Boston Private are consistent with approval, and SVB Group and Boston Private appear to have adequate resources to absorb the related costs of the proposal and to complete the integration of the institutions' operations. In addition, future prospects are considered consistent with approval.

The Board also has considered the managerial resources of the organizations involved and of the proposed combined organization. The Board has reviewed the examination records of SVB Group, Boston Private, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by SVB Group; the Board's supervisory experiences and those of other relevant bank supervisory agencies with the organizations; and the organizations' records of compliance with applicable banking, consumer protection, and anti-money-laundering laws.

SVB Group, Boston Private, and their subsidiary depository institutions are considered to be well managed. The combined organization's proposed directors and senior executive officers have knowledge of and experience in the banking and financial services sectors, and the proposed risk-management program appears consistent with approval of this expansionary proposal.

The Board also has considered SVB Group's plans for implementing the proposal. SVB Group has conducted comprehensive due diligence and is devoting

²⁷ To effect the transaction, each share of Boston Private common stock would be converted into a right to receive shares of SVB Group common stock based on an exchange ratio and cash. SVB Group has the financial resources to fund the transaction.

significant financial and other resources to address all aspects of the post-acquisition integration process for this proposal. SVB Group represents that its risk-management policies, procedures, and controls would be implemented at the combined organization and would be enhanced, as appropriate, by integrating best practices of Boston Private. Both SVB Group and Boston Private's existing risk-management policies, procedures, and controls are considered acceptable from a supervisory perspective. In addition, SVB Group's management has the experience and resources to ensure that the combined organization would operate in a safe and sound manner, and SVB Group plans to integrate Boston Private's existing management and personnel in a manner that augments SVB Group's management.²⁸

Based on all of the facts of record, including SVB Group's supervisory record, managerial and operational resources, and plans for operating the combined institution after consummation, the Board determines that considerations relating to the financial and managerial resources and the future prospects of the organizations involved in the proposal, as well as the record of effectiveness of SVB Group and Boston Private in combating money-laundering activities, are consistent with approval.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act and the Bank Merger Act, the Board considers the effects of the proposal on the convenience and needs of the communities to be served.²⁹ In its evaluation, the Board considers whether the relevant institutions are helping to meet the credit needs of the communities they serve, as well as other potential effects of the proposal on the convenience and needs of these communities, and places particular emphasis on the records of the relevant depository

²⁸ Following consummation of the proposed transaction, Boston Private's current Chief Executive Officer would join SVB Group as the Chief Executive Officer of Private Banking & Wealth Management, reporting directly to SVB Group's Chief Executive Officer. In addition, SVB Group expects that other members of Boston Private's current senior management team would hold positions within the combined organization.

²⁹ 12 U.S.C. § 1842(c)(2); 12 U.S.C. § 1828(c)(5).

institutions under the CRA. The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with the institutions' safe and sound operation,³⁰ and requires the appropriate federal financial supervisory agency to assess a depository institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.³¹

In addition, the Board considers the banks' overall compliance records and recent fair lending examinations. Fair lending laws require all lending institutions to provide applicants with equal access to credit, regardless of their race, ethnicity, or certain other characteristics. The Board also considers assessments of other relevant supervisors, the supervisory views of examiners, other supervisory information, information provided by the applicant, and any public comments on the proposal. The Board also may consider the acquiring institution's business model and marketing and outreach plans, the organization's plans after consummation, and any other information the Board deems relevant.

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of SVB Bank and BP Bank; the fair lending and compliance records of both banks; the supervisory views of the Federal Reserve Bank of San Francisco with respect to SVB Bank, the Federal Reserve Bank of Boston with respect to BP Bank, and the Consumer Financial Protection Bureau with respect to both banks; confidential supervisory information; and information provided by SVB Group.

Records of Performance under the CRA

In evaluating the convenience and needs factor and CRA performance of an institution, the Board generally considers the institution's most recent CRA evaluation, as

³⁰ 12 U.S.C. § 2901(b).

³¹ 12 U.S.C. § 2903.

well as information and supervisory views provided by the appropriate federal supervisors.³² In addition, the Board considers information provided by the applicant and by any public commenters.

The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of helping to meet the credit needs of its entire community, including LMI neighborhoods.³³ An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, federal financial supervisors apply a lending test ("Lending Test"), investment test ("Investment Test"), and service test ("Service Test") to evaluate the performance of large insured depository institutions, such as SVB Bank and BP Bank, in helping to meet the credit needs of the communities they serve. The Lending Test specifically evaluates an institution's lending to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the Lending Test, examiners review and analyze an institution's data reported under the Home Mortgage Disclosure Act of 1975 ("HMDA"),³⁴ in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations, to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is based on a variety of factors, including (1) the number and amounts of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's CRA assessment areas ("AAs"); (2) the geographic

³² See Interagency Questions and Answers Regarding Community Reinvestment, 81 Fed. Reg. 48506, 48548 (July 25, 2016).

³³ 12 U.S.C. § 2906.

³⁴ 12 U.S.C. § 2801 *et seq.*

distribution of the institution's lending, including the proportion and dispersion of the institution's lending in its AAs and the number and amounts of loans in low-, moderate-, middle-, and upper-income geographies; (3) the distribution of loans based on borrower characteristics, including, for home mortgage loans, the number and amounts of loans to low-, moderate-, middle-, and upper-income individuals;³⁵ (4) the institution's community development lending, including the number and amounts of community development loans and their complexity and innovativeness; and (5) the institution's use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies.³⁶ The Investment Test evaluates the number and amounts of qualified investments that benefit the institution's AAs, and the Service Test evaluates the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of the institution's community development services.³⁷

The CRA permits an insured depository institution to apply to its primary federal financial supervisor to be evaluated under a strategic plan.³⁸ The CRA performance of such an institution is assessed by evaluating the institution's record of meeting the credit needs of its AAs under its strategic plan.³⁹ The evaluation involves an assessment of the institution's performance under the lending, investment, and service

³⁵ Examiners also consider the number and amounts of small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less, small business and small farm loans by loan amount at origination, and consumer loans, if applicable, to low-, moderate-, middle-, and upper-income individuals. *See, e.g.*, 12 CFR 228.22(b)(3).

³⁶ *See* 12 CFR 228.22(b).

³⁷ *See* 12 CFR part 228, subpart B.

³⁸ *See, e.g.*, 12 CFR 228.21(a)(4). Under the federal financial supervisory agencies' CRA regulations, the appropriate federal financial supervisory agency will assess an institution's CRA performance under a strategic plan if, among other things, the institution invites public comment on the plan and the plan is approved by the relevant supervisor. *See, e.g.*, 12 CFR 228.27.

³⁹ *See, e.g.*, 12 CFR 228.27.

goals outlined in its strategic plan.⁴⁰ The Federal Reserve Bank of San Francisco evaluated SVB Bank under a strategic plan.⁴¹

CRA Performance of SVB Bank

SVB Bank was assigned an overall “Satisfactory” rating at its most recent CRA performance evaluation by the Federal Reserve Bank of San Francisco, as of October 22, 2018 (“SVB Evaluation”).⁴² The SVB Evaluation was conducted pursuant to a Board-approved strategic plan, which specified measurable goals for meeting the lending, investment, and services needs of the bank’s AA. The SVB Evaluation included a review of the bank’s performance toward meeting the strategic goals in the bank’s AA.⁴³

Examiners found that SVB Bank exceeded its strategic plan goals for community development lending, investments, and services. Examiners found that the bank’s lending and investments supported affordable housing and that the bank’s community development services focused on organizations that help address the need for affordable housing and provide services targeted to LMI individuals. Examiners noted that services provided by SVB Bank employees included membership on the boards of local nonprofit organizations that provide affordable housing options for LMI individuals.

SVB Bank’s Efforts Since the SVB Evaluation

SVB Group represents that SVB Bank has continued to meet the goals of its CRA strategic plan since the SVB Evaluation. SVB Group notes that, from 2018

⁴⁰ *Id.*

⁴¹ The Board approved SVB Bank’s strategic plan pursuant to 12 CFR 228.27. SVB Bank’s strategic plan established measurable goals for a satisfactory rating under the Lending, Investment, and Service Tests.

⁴² The SVB Evaluation was conducted using the Interagency Strategic Plan CRA Examination Procedures.

⁴³ SVB Bank’s AA consists of the San Jose-San Francisco-Oakland Combined Statistical Area, which includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, and Sonoma counties.

through 2020, SVB Bank originated a significant number of affordable housing construction and small business loans, made substantial investments in a number of low-income housing tax credit funds, provided loan capital to Community Development Financial Institutions that make micro and small business loans to underserved communities, and made several CRA-qualifying donations.

CRA Performance of BP Bank

BP Bank was assigned an overall “Outstanding” rating at its most recent CRA performance evaluation by the Federal Reserve Bank of Boston, as of April 23, 2018 (“BP Bank Evaluation”).⁴⁴ BP Bank received a “High Satisfactory” rating for the Lending Test and an “Outstanding” rating for each of the Investment and Service Tests.

With respect to the Lending Test, examiners found that BP Bank’s overall lending performance was good. Examiners noted that the overall geographic distribution of loans throughout the bank’s AAs was good, while the overall distribution among borrowers of different income levels and businesses of different sizes was adequate. Additionally, examiners found that BP Bank used flexible lending practices and originated a high level of community development loans.

With respect to the Investment Test, examiners found that BP Bank had an excellent level of qualified community development investments and grants and often was in a leadership position with respect to such investments, particularly those that were not routinely provided by private investors. Examiners noted that BP Bank exhibited excellent responsiveness to credit and community economic development needs and made significant use of innovative and/or complex investments to support community development initiatives.

⁴⁴ The BP Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Reserve Bank examiners reviewed home mortgage and small business lending from January 1, 2015, through December 31, 2016, and reviewed community development lending from October 15, 2014, through April 23, 2018. The evaluation period for the Investment Test and the Service Test was from January 2015 through December 2017. The BP Bank Evaluation covered BP Bank’s three AAs, located in California and Massachusetts. A full-scope review was conducted in each of the AAs.

With respect to the Service Test, examiners found that BP Bank's delivery systems were readily accessible to the bank's geographies and individuals of different income levels. Examiners noted that the services and business hours offered by BP Bank did not vary in a way that inconvenienced its AAs, including LMI geographies or individuals. Examiners also noted that BP Bank was a leader in providing community development services.

Additional Convenience and Needs Considerations

The Board also considers other potential effects of the proposal on the convenience and needs of the communities to be served. SVB Group represents that, following consummation of the proposal, existing customers of BP Bank would have access to additional investment products, including those focused on the innovation economy, broker-dealer capabilities, and private stock lending. SVB Group also represents that existing customers of SVB Bank would have access to an enhanced digital platform and additional products and services, including tax planning, philanthropy, estate planning, impact investment, and specialty lending services. In addition, SVB Group asserts that the customers of both banks would benefit from the broader set of products and services of the combined organization, which SVB Group expects would be enhanced by the complementary service models and expertise of SVB Bank and BP Bank.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the records of the relevant depository institutions under the CRA, the institutions' records of compliance with fair lending and other consumer protection laws, confidential supervisory information, information provided by SVB Group, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board determines that the convenience and needs factor is consistent with approval.

Financial Stability

Section 3 of the BHC Act requires the Board to consider “the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risks to the stability of the United States banking or financial system.”⁴⁵ In addition, the Bank Merger Act requires the Board to consider “risk to the stability of the United States banking or financial system.”⁴⁶

To assess the likely effect of a proposed transaction on the stability of the U.S. banking or financial system, the Board considers a variety of metrics that capture the systemic “footprint” of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the resulting firm.⁴⁷ These categories are not exhaustive, and additional categories could inform the Board’s decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opaqueness and complexity of an institution’s internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage to the broader economy.⁴⁸

In this case, the Board has considered information relevant to the risks to the stability of the U.S banking or financial system. Both SVB Group and Boston Private predominately engage in commercial banking and wealth management activities, with

⁴⁵ 12 U.S.C. § 1842(c)(7).

⁴⁶ 12 U.S.C. § 1828(c)(5).

⁴⁷ Many of the metrics considered by the Board measure an institution’s activities relative to the U.S. financial system.

⁴⁸ For further discussion of the financial stability standard, *see Capital One Financial Corporation*, FRB Order No. 2012-2 (February 14, 2012).

funding largely derived from core deposits. The proposed acquisition would increase SVB Group's size by less than 9 percent as measured by total assets, deposits, or leverage exposure, and the consolidated institution would still hold well below 1 percent of total U.S. financial system assets.

Other measures of stability risks point to de minimis increases as a result of the acquisition. The organization would not be a critical services provider or so interconnected with other firms or markets that it would pose significant risk to the financial system in the event of financial distress. In addition, the pro forma organization would have minimal cross-border activities and would not exhibit an organizational structure, complex interrelationships, or unique characteristics that would complicate resolution of the firm.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the U.S. banking or financial system. Based on these and all other facts of record, the Board determines that considerations relating to financial stability are consistent with approval.

Establishment of Branches

SVB Bank has applied under section 9 of the FRA to establish branches at the current locations of BP Bank.⁴⁹ The Board has assessed the factors it is required to consider when reviewing an application under that section, including SVB Bank's financial condition, management, capital, actions in meeting the convenience and needs

⁴⁹ See 12 U.S.C. § 321. Under section 9 of the FRA, state member banks may establish and operate branches on the same terms and conditions as are applicable to the establishment of branches by national banks. Thus, a state member bank resulting from an interstate merger transaction may maintain and operate a branch in a state other than the home state of the bank in accordance with section 44 of the FDI Act. See 12 U.S.C. § 36(d). In addition, a state member bank may retain any branch following a merger that might be established as a new branch of the resulting bank under state law, as well as any branch that, on February 25, 1927, was in operation as a branch of any bank. See 12 U.S.C. §§ 36(b)(2) and (c). Upon consummation, SVB Bank's branches would be permissible under applicable state law. See Cal. Fin. Code § 4888(a)(1); Mass. Gen. Laws ch. 167I § 3, ch. 167C, § 13.

of the communities to be served, CRA performance, and investment in bank premises.⁵⁰ For the reasons discussed in this order, the Board determines that those factors are consistent with approval.

Membership Considerations

Under section 208.3(d)(2) of the Board's Regulation H, a state member bank may not cause or permit any change in the general character of its business or in the scope of the corporate powers it exercises at the time of admission to membership in the Federal Reserve System without the permission of the Board.⁵¹ In connection with the proposal, SVB Bank has requested the Board's approval to expand its banking powers by exercising trust powers pursuant to section 208.3(d)(2) of Regulation H. SVB Bank would offer trust services that BP Bank currently provides through its Trust and Fiduciary Services business. The Board has reviewed the proposed amendment to SVB Bank's articles of incorporation and the powers the bank proposes to exercise under state law upon the proposed merger with BP Bank. In light of all the facts of record, the Board has determined that this change in the general character of SVB Bank's business is consistent with the terms of Federal Reserve System membership and that SVB Bank may retain its System membership after amending its articles of incorporation.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the proposal should be, and hereby is, approved. In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act, the Bank Merger Act, the FRA, and other applicable statutes. The Board's approval is specifically conditioned on compliance by SVB Group and SVB Bank with all the conditions imposed in this order, including receipt of all required regulatory approvals, and on any commitments made to the Board in connection

⁵⁰ 12 CFR 208.6. Upon consummation of the proposed transaction, SVB Bank's investments in bank premises would remain within the limits under section 208.21(a) of the Board's Regulation H, 12 CFR 208.21(a).

⁵¹ 12 CFR 208.3(d)(2).

with the application. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law. The proposal may not be consummated before the fifteenth calendar day after the effective date of this order or later than three months thereafter, unless such period is extended for good cause by the Board or the Federal Reserve Bank of San Francisco, acting under delegated authority.

By order of the Board of Governors,⁵² effective June 10, 2021.

Michele Taylor Fennell (signed)

Michele Taylor Fennell
Deputy Associate Secretary of the Board

⁵² Voting for this action: Chair Powell, Vice Chair Clarida, Vice Chair for Supervision Quarles, and Governors Bowman, Brainard and Waller.

Appendix

California Branches to Be Established

1. 345 South San Antonio Road, Los Altos, California
2. 420 Cowper Street, Palo Alto, California
3. 255 Battery Street, San Francisco, California
4. 60 South Market Street, San Jose, California
5. 160 Bovet Road, San Mateo, California
6. 225 North Beverly Drive, Beverly Hills, California
7. 16000 Ventura Boulevard, Encino, California
8. 801 S. Figueroa Street, Los Angeles, California
9. 345 E. Colorado Boulevard, Pasadena, California
10. 520 Broadway, Santa Monica, California
11. 971 S. Westlake Boulevard, Westlake Village, California

Massachusetts Branches to Be Established

12. 10 Post Office Square, Boston, Massachusetts
13. 57 Enon Street, Beverly, Massachusetts
14. 500 Boylston Street, Boston, Massachusetts
15. 800 Boylston Street, Boston, Massachusetts
16. 157 Seaport Boulevard, Boston, Massachusetts
17. 265 Main Street, Cambridge, Massachusetts
18. 7 Central Street, Hingham, Massachusetts
19. 1666 Massachusetts Avenue, Lexington, Massachusetts
20. 1223 - 1227 Centre Street, Newton, Massachusetts
21. 336 Washington Street, Wellesley, Massachusetts