

## Europe rues SVB loss as a cornerstone life science supporter



[Amy Brown](#)



### **With deep links to the US likely severed, and HSBC's risk appetite unknown, what does a future without Silicon Valley Bank look like?**

The sale of Silicon Valley Bank's UK operation to HSBC swiftly solved a massive problem for hundreds of European drug developers, and some of their venture backers, that had cash deposited with the lender. What the loss of a company that provided huge support to the life science sector means for the longer term is harder to know.

Silicon Valley Bank UK did more than take deposits and provide loans, executives and investors say. Its strong connections to SVB's much larger US operations, which encompass investment banking and venture capital, were hugely important. The US is a vital source of funds for many operating in Europe, and being able to tap into that country's huge life sciences sector can bring big benefits.

"SVB offered a bridge to the US markets; they had their fingers on the pulse of US investors and markets. That really was a 'value add'," a UK-based fund manager, who is not authorised to speak on the record, said. "SVB UK is saved, but will it be as valuable with links to the US gone?"

The extent to which SVB UK employees will work with former US colleagues is unclear for now, but it is hard to imagine connections being as tight as previously. Others working in European life sciences fear the loss of SVB's more intangible qualities.

"You couldn't go to a conference or a networking event or pitch session and not have representatives of SVB there, providing advice and insight into the way the industry was moving. That was incredibly valuable," said Imran Hamid, senior investment principal of Lifearc, a London-based early-stage investor. "VCs will be watching out to see whether [HSBC] is able to retain some of the essence of what made SVB special."

SVB claimed to work with huge swathes of the global life sciences sector. In the UK, its commercial banking operations were thought to have about a 40% market share among venture-backed life science firms. That translated to a deep network throughout the drug development world.

"One of the things that SVB did as a soft service - and when I say SVB I mean in the widest sense, all its franchises working together - was to almost be like a hub," the anonymous fund manager said. "Innovation ecosystems need firms like that, the ether through which everything seems to pass. It's only when that ether evaporates you realise what you've lost."

Lifearc's Hamid agreed. "Matchmaking was part of the magic that they were able to do. It is replicable, but it does take time. But I think it's clear that SVB did something special and therefore I imagine others will want to follow."

## Filling the hole

The continent's life science sector has long struggled to match the sort of investor support seen in the US, and many will hope that there are institutions already gearing up to fill an SVB-sized hole.

"There is a good reason why everybody had their money in Silicon Valley Bank - because of the service they provide and their start-up friendliness," Kerstin Papenfuss, director at Deep Science Ventures, told a panel at the Terrapinn Advanced Therapies conference yesterday.

"I would love to see a very similar dynamic being picked up by some of the more standard banks, because opening a bank account is actually one of the first problems our start-ups face. It's horrendously difficult and it shouldn't be."

HSBC's risk appetite has yet to be tested, but many hope that its rescue bid signals an interest in biotech and early-stage drug development, as well as in the technology sector that represented a much larger part of SVB's European business.

It is not only those working in life sciences who are concerned about the depth of the bank's support. The UK parliament's influential treasury select committee has asked the government to confirm that it sought assurances from HSBC on its approach to the UK tech industry as a condition of the purchase, [the Guardian reported](#).

Early-stage drug development could represent an even bigger test of faith, of course.

"An early-stage developer that won't have a product for 10 years, that's little more than a glorified science project but is looking for 20 to 30 million, I can see that prospect landing very differently to a software company that might have revenues in two or three years," the anonymous fund manager said.

"Will HSBC pull some of SVB's biotech loans? Some [biotech executives] I've spoken to are already thinking they might need to refinance their debt."

HSBC's top UK executives attempted to calm those sorts of concerns today [with a note to SVB UK employees](#) urging a business as usual approach, and asking them to assure SVB's clients that their deposits were safe and their loans supported.

## Getting on with biotech work

Lifearc's Hamid stressed that everyone was "very grateful" to HSBC for stepping in. Without it, SVB UK's collapse would have been an "apocalyptic event".

While European life sciences groups get over the initial shock, it seems like the longer-term implications of losing the sector's favourite lender will take time to emerge, and be much harder to quantify. Other firms exist that have the potential to move into its space, but this has happened at a testing time for high-risk industries like drug development, which will not help that happen quickly.

"Silicon Valley Bank ... provided an opportunity for biotechs to get on with doing biotech work. They really did help biotech, and tech, deliver over the last 40 years," said Owen Smith, partner of 4Bio Capital, a UK venture fund. He was also speaking at the Terrapinn panel.

It is remarkable that a bank so lauded for supporting high-risk sectors failed to manage its own business model appropriately. In a further irony, one of the main beneficiaries of SVB's existence, the venture firms, have been criticised for playing a big role in its downfall; some high-profile venture investors had gone on Twitter late last week and publicised their advice to withdraw funds from the bank.

"I don't think VC comes out over the last few days looking great," 4Bio's Owen said. "If there had been a bit more calm, and a little bit more measure, rather than public statements about 'we're moving our cash', we might not be in this situation right now."

*This story has been updated with the HSBC statement.*

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