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Is Asian life sciences industry losing confidence in US after SVB failure?

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Might have limited impact in Asia, but confidence seems shaken



The sudden collapse of a major bank- Silicon Valley Bank (SVB)- in the United States (US) might have unexpected consequences across the Asian life sciences sector, considering the fact that SVB has been popular with many Asian startups, especially Chinese companies in the biotech field.

In fact, if reports are to be believed, Japan's Softbank and Hong Kong listed biotech companies are considered to be most affected by SVB collapse.

For instance, BeiGene, one of China's largest cancer-focused drug companies, had more than $175 million uninsured cash deposits at SVB, which represents approximately 3.9% of its cash, cash equivalents and short-term investments. However, the company does not expect the recent developments with SVB to significantly impact its operations.

On the other hand, Zai Lab, a pharmaceutical firm in China, announced that its cash deposits at SVB were "immaterial" at about $23 million.

Further, the Korean biopharmaceutical industry is concerned that this bankruptcy may affect them because some Korean biopharmaceuticals have either invested in or are collaborating with companies tied to SVBs.

In India, which is home to some of the world's most highly valued startups in the life sciences sector, the country's Minister of State for Electronics and Information Technology, Rajeev Chandrasekhar, said on Twitter, "The SVB financial closure is certainly disrupting startups across world . Startups are an important part of the Indian economy. I will meet wth Indian Startups this week to understand the impact on them and how the government can help durng this crisis."

Way Out?

As of now, the Federal Deposit Insurance Corporation (FDIC) is completing its resolutions of SVB in a manner that fully protects all depositors, both insured and uninsured. These actions will reduce stress across the financial system.

"The ecosystem that allows America to develop groundbreaking new medicines is extremely important to our nation and to patients who depend on biotechnology companies. The recent actions by the FDIC, the Federal Reserve, and Treasury to allow SVB depositors to have access to all of their money is a very positive development to mitigate the potential harm to companies that are innovating across healthcare, agriculture, and the bioeconomy. We will continue to monitor the situation and will work closely with regulators to ensure that companies can meet payroll and continue to fund cutting-edge science and the development of treatments and therapies that patients are relying on", said Rachel King, President and CEO, BIO (Biotechnology Innovation Organisation).

Silicon Valley Bank (SVB) was a state-chartered commercial bank headquartered in Santa Clara, California, and the primary subsidiary of SVB Financial Group, a bank holding company, since 1983.