

UNITED STATES OF AMERICA  
BEFORE THE  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D.C.

In the Matter of

SILVERGATE CAPITAL CORPORATION  
La Jolla, California

and

SILVERGATE BANK  
La Jolla, California

Docket No. 24-013-CMP-HC  
24-013-CMP-SM

Order of Assessment of Civil Money  
Penalty Issued Upon Consent  
Pursuant to the Federal Deposit  
Insurance Act, as Amended

WHEREAS, Silvergate Capital Corporation (“Company”), La Jolla, California, is a registered bank holding company that owns and controls Silvergate Bank (“Bank”), La Jolla, California, a state-chartered bank that is a member of the Federal Reserve System (collectively, “Silvergate”);

WHEREAS, the Board of Governors of the Federal Reserve System (“Board of Governors”) is the appropriate federal banking agency and supervisor of Silvergate, and the Department of Financial Protection and Innovation of the State of California (“DFPI”) is the chartering authority and state supervisor of the Bank;

WHEREAS, Silvergate is required to comply with all applicable federal laws, rules, and regulations relating to anti-money laundering (“AML”) compliance, including the Bank Secrecy Act (“BSA”) (31 U.S.C. § 5311 *et seq.*), the rules and regulations issued thereunder by the U.S. Department of the Treasury (31 C.F.R. Chapter X), and the requirements of Regulation H of the Board of Governors to report suspicious activity and to maintain an adequate BSA/AML compliance program (12 C.F.R. §§ 208.62-63) (collectively, the “BSA/AML Requirements”);

WHEREAS, from approximately 2014 through March 2023, Silvergate focused on providing banking and financial services to foreign and domestic companies engaged in, among other things, buying and selling crypto-assets;

WHEREAS, in 2017, to facilitate U.S. dollar internal Bank transfers among Silvergate customers engaged in buying and selling crypto-assets, Silvergate launched the Silvergate Exchange Network (“SEN”), an internal payments platform that permitted Bank customers participating in the SEN to make and receive, in near real time, internal Bank transfers of U.S. dollars to and from other Bank customers participating in the SEN;

WHEREAS, an investigation by the Board of Governors identified deficiencies in Silvergate’s monitoring of internal transactions through the SEN;

WHEREAS, on May 23, 2023, the Board of Governors, DFPI, and Silvergate mutually agreed to enter a cease-and-desist order that requires Silvergate to implement the Bank’s self-liquidation and cessation of operations in a safe and sound manner to protect the Bank’s depositors and the Deposit Insurance Fund;

WHEREAS, Silvergate has taken appropriate steps to liquidate and wind down the operations of the Bank in an orderly manner, has repaid all of its deposit liabilities (other than certain de minimis balances), and does not anticipate any impact on or access to the Deposit Insurance Fund;

WHEREAS, the Board of Governors and Silvergate have agreed to this Order of Assessment of a Civil Money Penalty (the “Order”) pursuant to section 8(i)(2)(B) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. § 1818(i)(2)(B)), for the unsafe or unsound practices described above; and

WHEREAS, the boards of directors of the Company and the Bank at duly constituted meetings adopted resolutions authorizing and directing the undersigned to enter into this Order on behalf of the Company and the Bank, and consenting to compliance with each and every provision of this Order by the Company and the Bank, and waiving all rights that the Company and the Bank may have pursuant to section 8 of the FDI Act, including, but not limited to: (i) the issuance of a notice of charges on any and all matters set forth in this Order; (ii) a hearing for the purpose of taking evidence on any matters set forth in this Order; (iii) judicial review of this Order; and (iv) challenging or contesting, in any manner, the basis, issuance, validity, terms, effectiveness, or enforceability of this Order or any provision thereof.

NOW, THEREFORE, before the filing of any notices, or taking any testimony or adjudication of or finding on any issues of fact or law herein, without Silvergate admitting or denying any allegations made or implied by the Board of Governors in connection herewith, and solely for the purpose of settling this matter without a formal proceeding being filed and without the necessity for protracted or extended hearings or testimony pursuant to sections 8(b)(1), (b)(3) and (i)(2)(B) of the FDI Act (12 U.S.C. § 1818(b)(1), (b)(3) and (i)(2)(B)), it is hereby ordered that Silvergate pay a civil money penalty as follows:

**Assessment of Civil Money Penalty**

1. The Board of Governors hereby imposes a civil money penalty on Silvergate in the amount of \$43,000,000.00 for the unsafe or unsound practices described herein. The civil money penalty shall be remitted at the time of the execution of this Order by Fedwire transfer of immediately available funds to the Federal Reserve Bank of Richmond, ABA No. 051000033, beneficiary, Board of Governors of the Federal Reserve System. The Federal Reserve Bank of Richmond, on behalf of the Board of Governors, shall distribute this sum to the U.S. Department

of the Treasury, pursuant to section 8(i) of the FDI Act (12 U.S.C. § 1818(i)). This penalty is a penalty paid to a government agency for a violation of law for purposes of 26 U.S.C. § 162(f) and 26 C.F.R. § 1.162-21.

## **Communications**

2. All communications regarding this Order shall be sent to:

- (a) Richard M. Ashton  
Deputy General Counsel  
Jason A. Gonzalez  
Deputy Associate General Counsel  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> & C Streets, N.W.  
Washington, D.C. 20551
- (b) Mongkha Pavlick  
Senior Vice President  
Federal Reserve Bank of San Francisco  
950 South Grand Avenue  
Los Angeles, CA 90015
- (c) John Buretta  
Partner  
Cravath, Swaine & Moore LLP  
375 Ninth Avenue  
New York, NY 10001
- (d) Michael N. Levy  
Principal  
Ellerman Enzinna Levy PLLC  
1050 30th Street NW  
Washington, DC 20007
- (e) Paris Cribben  
General Counsel  
Silvergate Capital Corporation  
Silvergate Bank  
4250 Executive Square, Suite 300  
San Diego, CA 92037

## **Miscellaneous**

3. The provisions of this Order shall be binding on the Company and the Bank, and each of their institution-affiliated parties, in their capacities as such, and their successors and assigns.

4. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Board of Governors.

5. Except as otherwise provided in this paragraph, the Board of Governors hereby agrees not to initiate any further enforcement actions, including for civil monetary penalties, against the Company and the Bank, and their successors and assigns, with respect to the conduct described in the WHEREAS clauses of this Order to the extent known by the Board of Governors as of the effective date of this Order. This release and discharge shall not preclude or affect (i) any right of the Board of Governors to determine and ensure compliance with this Order, (ii) any proceedings brought by the Board of Governors to enforce the terms of this Order, or (iii) any proceedings brought by the Board of Governors against individuals who are or were institution-affiliated parties of Silvergate.

6. Except as provided in paragraph 5, the provisions of this Order shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting the Company, the Bank, any of their subsidiaries, or any of their current or former institution-affiliated parties and their successors and assigns.

7. Nothing in this Order, express or implied, shall give to any person or entity, other than the parties hereto and their successors hereunder, any legal or equitable right, remedy, or claim under this Order.

By Order of the Board of Governors of the Federal Reserve System, effective this fourth  
day of June 2024.

SILVERGATE CAPITAL  
CORPORATION

By: /s/ Andrew Surry  
Andrew Surry  
Chief Accounting Officer

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM

By: /s/ Benjamin W. McDonough  
Benjamin W. McDonough  
Deputy Secretary of the Board

SILVERGATE BANK

By: /s/ Andrew Surry  
Andrew Surry  
Chief Accounting Officer