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Bailout Policies: Systemic Risk vs Moral Hazard

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Abstract

Given an imminent bank failure, central banks often face the dilemma of whether to rescue private banks (bailout) or let them bear the consequences of their mismanagement. This paper seeks to empirically analyze the philosophy of financial system regulators in light of systemic risk and moral hazard, with the aim of outlining the most relevant elements taken into account by central banks when evaluating whether or not to intervene to prevent the failure of a private bank. The research consists of studying some emblematic bailout cases from the last 20 years in the U.S. – Lehman Brothers and AIG (2008) and Silicon Valley Bank (2023) –, in Switzerland – Credit Suisse (2023) –, and in Brazil – Banco Pan (2010) and Banco Master (2024). Finally, it will analyze the regulators' logic for granting a bailout aligned with the expected cost-effective outcome.

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1. Introduction

In the film *Too Big to Fail* (2011), it is evident that even in the U.S., where free enterprise abhors state intervention in the economy, it is the State that rescues the financial system on the brink of collapse.

The film begins with a phone call from the CEO of Lehman Brothers to the U.S. Secretary of the Treasury asking for help with selling his bank on the verge of bankruptcy. One of the most striking moments in the film is the weekend meeting (held between September 12 and 14, 2008) inside the New York Federal Reserve branch, where the Secretary addresses the leaders of the largest U.S. banks (Goldman Sachs, JP Morgan, Morgan Stanley, Citigroup, Merrill Lynch, Bank of America) and gives them an ultimatum: either find a solution, or one by one they would fall.

However, this was of no avail: this solution did not come, Lehman went bankrupt on Monday (09/15/2008), and on the next day (09/16/2008), the Federal Reserve (Fed) announced an emergency loan of 85 billion dollars to AIG, preventing the imminent failure of the country's largest insurer. The government nationalized AIG (taking control of almost 80% of its shares) and the Treasury also injected another 40 billion dollars into it.

But was this Fed decision, in fact, correct? Faced with an inevitable systemic collapse, what are the criteria for granting this aid? How to prevent the bailout from signaling approval for the moral hazard of financial institutions?

This paper will study 5 (five) emblematic cases.

First, the global financial crisis of 2008 will be analyzed, with the collapse of Lehman and its repercussions for AIG (which we discussed above), resulting in a public bailout by the Fed and the U.S. Department of the Treasury. In this topic, we will see Section 13 of the Federal Reserve Act and the Treasury's emergency program: the Troubled Asset Relief Program (TARP).

Next, we will analyze the 2010 accounting fraud episode at Banco Pan, which received a private bailout from the Credit Guarantee Fund (FGC). In this regard, we will address arts. 2º and 3º of the FGC Statute – Annex I of BACEN Resolution No. 4,222/2013.

Then, the compulsory closure of Silicon Valley Bank in 2023 will be analyzed with the rescue of the depositor companies, configuring a “moderate” bailout by the Federal Deposit Insurance Corporation (FDIC). On the subject, we will address 12 U.S. Code § 1823(c)(4)(G) in the FDIC Act, as well as the Fed's emergency program: the Bank Term Funding Program (BTFP).

Subsequently, we will analyze the bailout consisting of the sale of Credit Suisse by Switzerland's largest bank (UBS) in 2023, associated with the issuance of an Emergency Ordinance by the Swiss government to guarantee this transaction.

We will also analyze the attempted bailout of Banco Master in 2024, which was frustrated by BACEN. On this matter, we will address art. 10, X of Law 4,595/64 and BACEN's role in preventing moral hazard.

Finally, the most relevant circumstances for granting a bailout aligned with the expected cost-effective outcome will be listed, weighing between the systemic risk and the moral hazard of this policy.

2. Concept of Bailout

The term bailout, according to Black's Law Dictionary, means to give emergency help to a company to keep it operating, (BLACK'S LAW DICTIONARY, 2025) [1]. The Wex encyclopedia from Cornell Law School defines a bailout as the rescue of a financially distressed entity through the injection of capital or other financial assistance, typically justified by a "systemic risk" and granted to companies considered "too big to fail", (CORNELL LAW SCHOOL WEX LEGAL ENCYCLOPEDIA, 2025) [2].

Thus, in a first sense, a bailout consists of the central bank acting as a lender of last resort when it lends its reserves to private banks in moments of panic to supply the lack of liquidity and contain the bank run, (Bagehot, 1962) [3]

However, in extreme scenarios, the emergency loan from the central bank may not be sufficient, demanding a more drastic and immediate action by the government through capital injection programs and the purchase of "troubled" assets. This is a radical measure to remedy the insolvency of a bank in a situation of imminent bankruptcy. This is the second meaning of bailout, (Bernanke, 2015) [4].

There is also the possibility of a private bailout, such as the one that occurred during the Panic of 1907, before the creation of the Federal Reserve, when the New York Clearing House, a private association of banks, financially helped the Mercantile National Bank, (FEDERAL RESERVE HISTORY, 2015) [5].

Indeed, the concept of bailout will be used in this paper to characterize the emergency loan granted by central banks, the direct injection of public capital through government programs, and also the loans granted by deposit guarantee funds.

3. Lehman Brothers and AIG (2008)

3.1 Section 13(3) [Federal Reserve Act] and Troubled Asset Relief Program (TARP)

As already mentioned, two days after the announcement of Lehman Brothers' bankruptcy, the Fed announced an emergency loan of 85 billion dollars to AIG. Unlike Lehman Brothers, AIG was not a bank but a giant in the insurance sector, with operations in more than 130 countries.

But what really forced the government to intervene in the case of AIG were the so-called Credit Default Swaps (CDS), a type of insurance policy against credit default, sold by AIG to banks as insurance on subprime mortgages (people with low credit and no proof of income – risk), (Bernanke, 2015) [6].

The eagerness of banks to grant mortgages without due diligence to leverage themselves, and of AIG to insure them indiscriminately to collect policy premiums,

combined with the excess optimism resulting from the appreciation of properties, caused the so-called “real estate bubble”, which inevitably came to burst.
As Thaler and Sunstein (2021) affirm, [7] sometimes laws are needed to protect people from their own mistakes, given that financial institutions exploit behavioral biases, especially limited attention and unrealistic optimism.
When the value of properties fell and debtors were unable to pay their mortgages, the banks activated the insurance to cover their losses. The problem was that AIG had sold billions in CDSs to virtually all major U.S. and foreign banks and investors and was unable to honor this financial shortfall.
And, since the certain bankruptcy of AIG would drag with it the largest banks in the U.S. and the world (from Goldman Sachs and Morgan Stanley to Credit Suisse and Deutsche Bank), the Fed felt compelled to save it. The size of AIG and its interconnectedness with the financial system, as well as the shock that its collapse would cause to the insurance industry and public confidence in general, were decisive for granting the bailout, as admitted by the then-president of the Fed, (Bernanke, 2015) [8].
The emergency loan granted by the Fed was based on Section 13(3) of the U.S. Central Bank Act, which provides that in “unusual and exigent circumstances” the Fed can lend to individuals and companies, “for the purpose of providing liquidity to the financial system, and not to rescue a distressed financial company”, (FEDERAL RESERVE ACT, 2017) [9].
Section 13(3) also determines that the loss covered by the Fed makes it a creditor of the borrowing entity, with the same priority as an obligation to the Treasury, (FEDERAL RESERVE ACT, 2017) [10].
In addition to this loan, AIG received a direct capital injection from the Treasury through the Troubled Asset Relief Program (TARP). TARP was a U.S. government initiative to stabilize the American financial system after the 2008 crisis.
In summary, TARP allowed the U.S. Department of the Treasury to purchase or guarantee up to 700 billion dollars (later reduced to 475 billion by the Dodd-Frank Act in 2010) in “troubled assets”. This financial aid package included financial institutions, credit markets, the automotive industry, families in difficulty with their mortgages, and, obviously, AIG (which received almost 70 billion dollars), (U.S. DEPARTMENT OF THE TREASURY, 2023) [11].
Regarding the Dodd-Frank Act (2010), which was a response to the 2008 crisis, this law imposed stricter regulations on the financial sector, including annual stress tests and liquidity plans for banks considered “too big to fail”, thus defined as those with assets above USD 50 billion (in 2018, the Economic Growth Act raised this threshold to USD 250 billion).
But, given all the chaos generated by the bankruptcy of Lehman Brothers and the bailout of AIG shortly after, it is possible to ask whether the Fed’s decision not to save Lehman was correct or if it failed to prevent the escalation of the crisis.

The then-president of the Fed confessed to being vague in his response to Congress about the possibility of having saved Lehman at the time. However, he later recognized that, even convinced of the impossibility of saving it, the Fed and the Treasury Department had reasons at the time to be concerned about the subsequent bank runs, and that Lehman's collapse did create confusion about the criteria to be used for bailouts, (Bernanke, 2015) [12].

4. Banco Pan (2010)

4.1 Art. 2º and 3º of the FGC Statute [Annex I of BACEN Resolution No. 4,222/2013]

In the early 2000s, Banco Pan (formerly Banco Panamericano) was a multiple bank controlled by the Silvio Santos Group, associated with the figure of the famous television presenter (still alive at the time), and focused on vehicle financing lines, payroll loans, and credit cards.

In 2010, BACEN detected accounting inconsistencies regarding Banco Pan, which appeared to inflate its results. In the course of the inspection, BACEN verified that Banco Pan sold credit portfolios (financings) to other financial institutions, which, in principle, is lawful and a common market practice.

The problem is that Banco Pan should have written off these sold portfolios from its credit stock (which makes up the bank's equity), as these sales had already been accounted for as bank revenue, (Seabra, 2010) [13]. However, Banco Pan kept these portfolios on its balance sheet.

Due to this accounting duplicity, the bank's equity appeared much larger than it really was.

BACEN detected the accounting fraud, estimated at an initial shortfall of R$ 2.5 billion. Later, investigations revealed that Banco Pan's deficit was about R$ 4.3 billion.

To avoid the collapse of Banco Pan, which could generate a crisis of confidence in the national financial system, the Credit Guarantee Fund (FGC) intervened to contribute to "the maintenance of the stability of the National Financial System" and for the "prevention of a systemic banking crisis", under the terms of art. 2º, II and III of the FGC Statute (Annex I of BACEN Resolution No. 4,222/2013), (BACEN, 2013) [14].

Given Banco Pan's shortfall, the FGC weighed the cost of the loan (R$ 2.5 billion) against the cost of covering all deposits if it let the bank go bankrupt (R$ 2.2 billion) plus the systemic risk of a potential bank run in mid-sized banks, (Vieira, 2010) [15] especially in a bank linked to the public figure of Silvio Santos.

Therefore, the FGC granted a loan of R$ 2.5 billion to the Silvio Santos Group (controller of Banco Pan) to cover the deficit and guarantee the bank's liquidity, (EXAME, 2013) [16].

As a guarantee, the Silvio Santos Group was forced to offer its entire equity, including the SBT television network and the Jequiti cosmetics chain.

It is worth noting that the credit market in Brazil looks not only at the risk of default

but also at the size of the borrower. According to a BACEN study (2025) on loans and inequality, interest rates on personal loans are substantially higher than interest rates on payroll loans. In this sense, the study's conclusion was that the inequality in the interest rate is due to the borrower's income range (economic size), and not to the probability of their default (financial soundness). (Bonomo, et al. 2025) [17]
Returning to the case of Banco Pan, art. 3º, II of the FGC Statute – Annex I of BACEN Resolution No. 4,222/2013, provides that the FGC's object is "to contract assistance or financial support operations, including liquidity operations, with associated institutions (...) or with their controlling shareholders", (BACEN, 2013) [18].

In this context, after the initial R$ 2.5 billion loan, the FGC further complemented the contribution upon discovering the real size of the shortfall. In total, the FGC injected R$ 4.3 billion to prevent the collapse of Banco Pan.

With the sale of Banco Pan (practically bankrupt) to the bank BTG for the amount of R$ 450 million, the Silvio Santos Group was freed from the debt and had its guarantees released. The FGC, thus, came to have BTG as the new debtor. The then-president of the FGC's Board of Directors admitted at the time that the operation was atypical but considered the systemic risk if Banco Pan had been liquidated.

However, some directors of large banks denied that Banco Pan could cause this type of impact on the financial system. Analysts, in turn, showed concern about this type of precedent, (O GLOBO, 2011) [19],

Despite the controversy in the case of Banco Pan, it appears that the function of the FGC is not limited to guaranteeing deposits up to R$ 250 thousand in financial institutions, (BACEN, 2013) [20] also serving macroeconomic purposes, such as the stability of the financial system, the prevention of systemic crises, and financial support to ensure the liquidity of institutions, (BACEN, 2013) [21].

In Brazil, the Credit Guarantee Fund (FGC) is very similar to the Federal Deposit Insurance Corporation (FDIC) in the U.S., as will be seen below.

5. Silicon Valley Bank (2023)

5.1 12 U.S. Code § 1823(c)(4)(G) [FDIC Improvement Act] and Bank Term Funding Program (BTFP)

The collapse of Silicon Valley Bank, on March 10, 2023, was the largest bank failure in the United States since the collapse of Lehman Brothers during the global financial crisis of 2008. It was a sudden event that generated panic in the market and forced regulators to intervene drastically to avoid the domino effect that occurred 15 years earlier.

Silicon Valley Bank positioned itself as the bank of the technology and innovation ecosystem, such as: banking services for startups; venture capital funds; angel investors, etc.

With the boom in the technology sector during the COVID-19 pandemic, Silicon Valley Bank received an expressive volume of deposits, mainly between 2020 and 2021.

With this massive increase in capital, the bank bought a colossal amount of U.S. government debt securities (treasury bonds) and mortgages (mortgage-backed securities). Under normal conditions, such securities are considered low-risk.
The problem is that these securities are long-term (15 to 30 years). Thus, when in 2022 the Fed began to aggressively raise interest rates to contain inflation, Silicon Valley Bank's investors requested the redemption of their applications in search of more attractive returns. However, the investments were locked in for the long term, (COFACE, 2023) [22].
According to Barr et. al. (2012),[23] behaviorally informed regulation must take into account factors such as patterns, information asymmetry, understanding, decisional conflict, etc., in addition to also considering the market's economic perceptions.
Result: Silicon Valley Bank was unable to honor the massive withdrawals of its clients due to a lack of liquidity and needed to sell its securities at mark-to-market, realizing a loss of USD 1.8 billion announced on March 8, 2023.
The episode was aggravated by the “modern bank run”, which caused the news to spread in a matter of hours through social media and messaging apps, leading startups and investors to withdraw their funds simultaneously. Within 24 hours after the announcement (03/09/2023), the requested withdrawals reached 42 billion dollars, (Korn, 2023) [24].
On March 10, 2023, Silicon Valley Bank became insolvent and was compulsorily closed by the California Department of Financial Protection and Innovation.
However, in the case of Silicon Valley Bank, there was neither a total abstention by the government (unlike Lehman Brothers) nor was there a full financial rescue (unlike AIG). In this case, the bank was in fact liquidated, and the Federal Deposit Insurance Corporation (FDIC) was named as the guarantee agency for the deposits of Silicon Valley Bank's clients.
The problem was that the FDIC only covered deposits up to USD 250 thousand, so the Fed, the Treasury, and the FDIC announced on March 12, 2023, a joint emergency decision to cover the entirety of Silicon Valley Bank's clients’ deposits. To do so, they used the “systemic risk exception” provided for in 12 U.S. Code § 1823(c)(4)(G) of the FDIC Act (1991), (CONGRESS.GOV, 2024) [25].
It is worth remembering that the Dodd-Frank Act imposed, for the use of this exception, the prior liquidation (receivership) of the bank by the FDIC – which had in fact occurred. This was to prevent the “systemic risk exception” from being used to save banks that were still operating, reducing the sector's moral hazard, (CONGRESS.GOV, 2024) [26]. For this reason, this can be considered a “moderate” bailout, which requires the liquidation of the bank as a condition for the rescue.
By the way, the FDIC’s loss resulting from the full coverage of deposits, on an exceptional basis, will be paid through a special contribution charged to banks (and not to taxpayers). It should be noted that the FDIC is a government agency (public entity), unlike the FGC, which is an association (private entity), but which also charges contributions from its associated banks, (FINCLASS, 2024) [27].

Simultaneously, the Fed announced the Bank Term Funding Program (BTFP), which made liquidity available to banks through loans of up to 1 (one) year, eliminating the need to quickly sell their securities in times of stress to meet the redemptions requested by their depositors, (FEDERAL RESERVE, 2025) [28].

6. Credit Suisse (2023)

6.1 Art. 184 par. 3 and Art. 185 par. 3 [Federal Constitution] and Emergency Ordinance

Credit Suisse was the second-largest bank in Switzerland, with a 167-year history. Nevertheless, successive incidents undermined investor confidence and the bank's reputation in the market.

In March 2021, Credit Suisse suffered a major loss with the bankruptcy of the financing company Greensill Capital, in which the bank had invested USD 10 billion. This cost it a flight of clients and exposed its management failures, (THE GUARDIAN, 2021) [29].

A few weeks after Greensill Capital, it was the turn of the Archegos Capital Management investment fund, costing Credit Suisse more than USD 5.5 billion, (Patrick, 2021) [30].

In late 2022, rumors on social media about the bank's financial health intensified, leading to a massive wave of withdrawals. In the fourth quarter, withdrawals reached more than CHF 110.5 billion Swiss francs, followed by CHF 61 billion in the first quarter of 2023, as Credit Suisse continued to lose its wealthiest clients in the wealth management division, in a spiral that increasingly compromised the bank's financial health, (Illien, 2023) [31].

The scenario worsened with the statement on March 15, 2023, by the president of the Saudi National Bank, who, in an interview with Bloomberg, when asked if the Saudi bank (Credit Suisse's largest shareholder) would invest more money in the Swiss bank, replied with a categorical "Absolutely not", (CNBC, 2023) [32].

Credit Suisse's shares plummeted more than 24%, and panic set in, leading Swiss regulators to orchestrate a private bailout for Credit Suisse through its acquisition by the largest bank in Switzerland – UBS – after the emergency weekend meeting, announced on Sunday (03/19/2023).

At the time, the Federal Councillor (representing the Executive Branch), the President of the Financial Supervisor (FINMA), and the President of the Swiss National Bank (SNB) were present. The options were as follows: declare unfeasibility and trigger a bail-in, converting redeemable bonds and internalizing this loss; establish temporary state ownership, which was not provided for and would require an emergency law; or sell Credit Suisse to UBS.

Given this scenario, the chosen option was the sale of Credit Suisse to UBS, as it was considered the least risky way out. However, it came with a package of public resources, consisting of liquidity assistance from the central bank in the amount of CHF 250 billion Swiss francs, which, ultimately, ended up needing an emergency law for its implementation, (Lengwiler and Mauro, 2023) [33].

However, due to the lack of time, an emergency ordinance was issued by the Executive based on art. 184, par. 3 and art. 185, par. 3 of the Swiss Federal Constitution. These constitutional provisions allow the Federal Council to issue ordinances to safeguard the country's interests and in situations of a serious and imminent threat to public order and security.
It was this emergency ordinance, created specifically for the Credit Suisse case, that enabled the massive liquidity guarantees (CHF 200 billion to guarantee the purchase by UBS), accelerating the operation without the need for shareholder approval, and writing off the AT1 bonds (CHF 16 billion). It was named Ordinance on Additional Liquidity Assistance Loans and the Granting of Federal Default Guarantees for Liquidity Assistance Loans from the Swiss National Bank to Systemically Important Banks, (THE SWISS FEDERAL COUNCIL, 2023) [34].
There were, however, criticisms regarding the possible illegality of this normative act, to which the Minister of Finance at the time responded that the rules for winding down large banks were insufficient. Nevertheless, it remained unanswered why FINMA remained inactive for 15 years, since the global crisis of 2008, without implementing this mechanism, while all other countries did so, (Böni and Zimmermann, 2024) [35].
Some analysts assess that the failure of Credit Suisse was due to the lack of quality and transparency in capital management, which resulted in a loss of confidence by investors, (Lengwiler and Mauro, 2023) [36].

7. Banco Master (2024)

7.1 Art. 10, X, "c" [Law 4,595/64] and Moral Hazard Prevention

Banco Master is a bank that, in late 2024, began to adopt an aggressive fundraising policy, having come to offer, in 2025, yields of around 140% of the CDI, well above the market average of 110%.
Furthermore, there was a suspicion that Banco Master was accumulating assets of doubtful liquidity to raise funds, using the FGC guarantee to operate with high-risk assets, (Lima, 2025) [37].
This is because Banco Master was converting judicial writs of payment into CDBs with yields well above the average, totaling about R$ 17.9 billion in time deposits, i.e., without liquidity, (Unzelte, 2025) [38].
The crisis of confidence and liquidity at Banco Master began to cause difficulties for the bank in rolling over its short-term debts in the interbank market and via CDBs. Unable to raise funds from other banks and investors, Banco Master tried to solve the situation with a sale to the state-owned bank BRB (controlled by the Federal District). BRB filed a purchase request with BACEN in October 2023. In short: a bailout disguised as an M&A, (Norberto, 2025) [39].
However, on September 3, 2024, BACEN vetoed the purchase of Master by BRB. The grounds for BACEN's decision are still undisclosed, but it is estimated that the main reason was the risk of liability succession, (Norberto, 2025) [40], transferring the "troubled assets" from Banco Master to BRB. As a state-owned bank with 80%

public capital, this loss would expose the treasury of the controlling public entity to risk.

Indeed, when BRB announced on March 28, 2025, the purchase of 58% of Banco Master's capital, (BANCO BRB, 2025) [41], the Public Prosecutor's Office of the Federal District filed a public civil action (MINISTÉRIO PÚBLICO DO DISTRITO FEDERAL, 2025) [42], to suspend the operation, given the lack of legislative authorization from the Assembly Chamber. In this vein, the Federal Prosecution Office and the Prosecutor's Office for the Court of Accounts of the Federal District also opened investigations to ascertain possible risks to public assets.

Indeed, given the history of operations carried out by Banco Master (conversion of judicial writs of payment into CDBs) and the low liquidity of its assets, the uncertainty about the recovery of these "troubled assets" ultimately made the operation economically unfeasible and excessively risky for the public bank.

Therefore, BACEN, using its exclusive power under art. 10, X, "c" of Law 4,595/64, holds the power to grant (or not) authorization to financial institutions to be "transformed, merged, incorporated, or encamped", (BRAZIL, 1964) [43].

Allowing a public bank to purchase a private bank in difficulty creates a dangerous precedent of bailout, signaling to the market that private banks could take excessive risks knowing that, in the worst-case scenario, a state-owned bank will come to their rescue, socializing the losses. BACEN, rightly, did not agree with this moral hazard and acted to discourage it.

At the time this article was finished, the news broke (CNN, 2025) [44], that the owner of Banco Master was arrested by the Federal Police in Operation Compliance Zero, which aimed to combat the issuance of fake credit instruments by financial institutions, in addition to the crimes of fraudulent management, reckless management, criminal organization, etc. Simultaneously, BACEN decreed the extrajudicial liquidation of Banco Master, as well as the unavailability of assets of its controllers and former administrators. Given these events, the FGC will now be responsible for reimbursing Banco Master's account holders up to the limit of R$ 250,000.00 per CPF/CNPJ.

8. Conclusion

In the experiment published in the *Review of Economics and Statistics* (2021) about complex financial products, it was concluded that it is not enough to inform the consumer; it is necessary to reduce the volume of information and simplify it, (Carpenter, et al. 2021) [45].

In a complex system like the financial sector, eliminating information asymmetry and adverse selection (*ex ante*) is not enough to protect the investor. Systemic risk and moral hazard (*ex post*) are always critical points to be considered by the regulator when considering the cost-effective outcome of a bailout.

In this work, we saw that the logic of regulators behind the bailout policy is the analysis of cost-effectiveness between the cost of saving the bank and the cost of its

failure, adopting the solution that implies the lowest cost in the specific case.
The cost-effectiveness analysis, applied to both public bailouts (central bank loans and emergency programs) and private bailouts (loans from deposit guarantee funds), weighs elements such as the size of the financial institution, the repercussions for the rest of the system, the comparison between losses (save it vs. let it fail), the potential for a bank run, the least risky choice, and the concern with creating dangerous precedents.
In the case of Lehman Brothers, the Fed and the Treasury Department tried to make it an example and send a message to other banks that the government would not rescue institutions that mismanaged their portfolios. Nevertheless, the bankruptcy of Lehman produced a chain effect, reaching even the largest insurer in the country. The size of AIG and its interconnectedness with the financial system, as well as the shock that its collapse would cause to the insurance industry and public confidence in general, led the Fed and the Treasury Department to reconsider the policy of not granting a bailout, due to the risk of a systemic collapse. The collapse of Lehman followed by the rescue of AIG generated confusion and insecurity regarding the criteria for granting bailouts and raised questions about a possible government error in judgment.
In the case of Banco Pan, the FGC weighed, on one hand, the cost of the loan (R$ 2.5 billion) and, on the other, the cost of covering all deposits if it let the bank go bankrupt (R$ 2.2 billion) plus the systemic risk of a potential bank run in mid-sized banks. However, the loss later proved to be much larger, forcing the FGC to disburse a total of R$ 4.3 billion to prevent the collapse of Banco Pan. The decision to save it was the subject of criticism, especially due to the bank's medium size, raising doubts as to whether the collapse of Banco Pan would truly seriously impact the financial system, in addition to generating concern about the creation of this type of precedent.
In the case of Silicon Valley Bank, the situation was aggravated by the “modern bank run”, which caused the news of the bank’s lack of liquidity to spread in a matter of hours through social media, leading to an almost instantaneous bankruptcy. The regulators’ response was a “moderate” bailout: the bank was liquidated, but invoking the systemic risk exception, the FDIC covered all deposits to avoid contagion. This approach sought to balance the prevention of moral hazard (by not saving the bank or its shareholders) with the need to stabilize the system (by saving the depositors and holding them harmless).
In the case of Credit Suisse, bankruptcy was avoided through an emergency sale forced by the Swiss government to its rival UBS, supported by massive public liquidity guarantees. The decision was made to avoid a systemic collapse in the global financial market, but it generated legal controversies and raised questions about the regulators’ failure to implement bank resolution mechanisms earlier.
Finally, in the case of Banco Master, the regulator (BACEN) acted firmly to prevent moral hazard, vetoing the acquisition by a public bank that could have socialized the losses from excessive risk management. The decision signaled that private institutions should not count on an automatic state rescue, and that those responsible

for mismanagement will be held accountable, culminating in the bank's liquidation and the activation of the FGC to protect depositors.

In summary, the cases analyzed demonstrate that there is no single formula for granting bailouts. The decision is always a complex and contextual judgment, which seeks to minimize systemic damage without creating perverse incentives for the future. The prevailing logic is that of cost-effectiveness, where the regulator weighs the immediate impact of a failure against the long-term cost of moral hazard, choosing the path that, in its assessment, best protects the stability of the financial system as a whole.

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