



Options for Deposit Insurance Reform

Financial Stability in a Time
of Macroeconomic
Uncertainty

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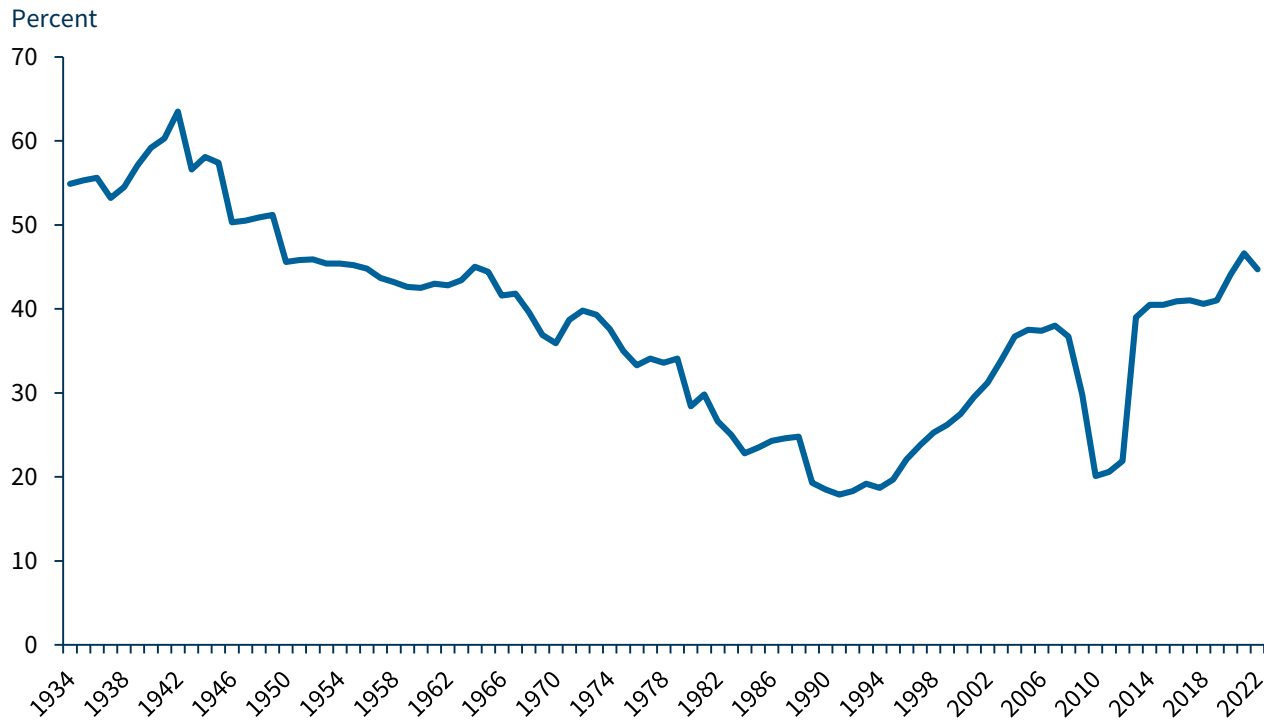
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Proportion of Uninsured Deposits

FIGURE 2.1

Uninsured Deposits Are Growing as a Share of Domestic Deposits



Source: FDIC.

Note: Figure shows the estimated share of all domestic deposits that are uninsured.

Overview

- Large concentrations of uninsured deposits and technological changes increase the susceptibility of banks to runs.
- Options for Deposit Insurance Reform reviews the tradeoffs associated with three options for deposit insurance coverage.
- Each option should be considered alongside the broader financial regulatory environment. Deposit insurance does not exist in a vacuum.

Overview – Options

- Limited Coverage
 - Finite deposit insurance limit by depositor, by ownership category, by bank.
 - Currently \$250K, may be higher.
- Unlimited Coverage
 - All deposits fully insured.
- Targeted Coverage
 - Different levels of coverage based on the function of the account (payments versus investment).
 - Higher (or unlimited) coverage for business payment accounts.

Deposits insurance limits are set by Congress.

Overview – Complementary Tools

- Deposit Insurance Pricing
- Liquidity Supervision and Regulation
- Capital Supervision and Regulation
- Long-term Unsecured Debt
- Collateralization of Large Deposits
- Limited Withdrawal Capacity of Large Deposits

Some tools lie within authorities of federal agencies, while others may require Congressional action.