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FDIC RELEASES REPORT ON OPTIONS FOR DEPOSIT INSURANCE REFORM

On May 1, 2023, the FDIC released a Report on “Options for Deposit Insurance Reform” (the “Report”). The Report seeks to accomplish three key objectives: First, it provides context for the problems that led to recent bank failures; next, it reviews the history of the FDIC’s changes to the U.S. deposit insurance system and discusses policy objectives of deposit insurance; and finally, it proposes policy options to improve and increase deposit insurance coverage. Financial institutions of all sizes may want to consider participating in the ongoing discussion on potential changes to the treatment of uninsured deposits — particularly given that such changes may affect deposit insurance assessments for all banks. In this article, we highlight key points from the Report and discuss important takeaways for insured depository institutions.

By Matthew Bisanz and Saundra Rupert-Shropshire *

On May 1, 2023, the Federal Deposit Insurance Corporation (“FDIC”) released a Report on “Options for Deposit Insurance Reform” (the “Report”).¹ This Report was written in response to broader industry trends, including the conditions that led to the failure of Silicon Valley Bank (“SVB”) and Signature Bank in March 2023. While the Report ultimately proposes Targeted Coverage (discussed below), it discusses the advantages and disadvantages of three options for reform of the FDIC’s deposit insurance program, including their efficacies, their broader consequences, and tools that may be used along with each option to maximize their

effectiveness. Each option would require federal legislation to fully implement, but some aspects of the Report lie within the scope of FDIC rulemaking authority.

In this article, we highlight key points from the Report and discuss important takeaways for insured depository institutions.

BACKGROUND

The FDIC is an independent agency created by Congress to maintain stability and public confidence in the nation’s financial system. It protects depositors against the loss of their insured deposits in the event of a bank’s failure. The FDIC was established in 1933 in response to widespread bank runs and failures that

¹ FDIC, *Options for Deposit Insurance Reform* (May 1, 2023), <https://www.fdic.gov/analysis/options-deposit-insurance-reforms/report/options-deposit-insurance-reform-full.pdf>.

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