Deposit Insurance Reform

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Issue Update

The deposit insurance and resolutions framework, which lies at the core of money and banking in the United States is complex, multifaceted and foundational to our financial system and the U.S. economy. Despite its success over the past almost 100 years, the 2023 failures of Silicon Valley Bank and Signature Bank underscored questions about whether the framework is keeping up with the needs of modern depositors.

Today's banks are well capitalized, highly liquid, and well positioned to meet consumers' needs. Yet as banking and the financial services market continue to evolve, policymakers must ensure that related laws and regulations keep pace. The deposit insurance and resolution framework is no exception.

Ultimately, major changes to the deposit insurance system will require congressional approval. ABA will continue to urge lawmakers to carefully consider the broad implications of any changes for the banking industry, bank customers, and the broader economy.

Why It Matters

The questions surrounding deposit insurance are complex, and there are no single "right" answers. The appropriate level of deposit insurance, along with the related cost, regulatory, and supervisory tradeoffs, differs for each bank. In the summer of 2025, ABA put forward ten recommendations for modernizing deposit insurance. The recommendations were developed by an executive-level task force and approved by ABA's Board.

Much of the focus to date has been on coverage amounts. ABA's recommendations promote a comprehensive, empirically based approach to modernization. Deposit insurance coverage limits are only one aspect of the deposit insurance and resolution framework, which also includes the structure and management of the Deposit Insurance Fund, the resolution of failed banks, the FDIC's role in an emergency, and the relationship between deposit insurance, financial stability, and the broader supervision and regulation of banks. A meaningful review of the framework must be comprehensive and consider all these aspects.

Recommended Action Items

- Broaden the considerations used in determining "least cost" to include potential contagion and other adverse effects, including community impact.
- Pre-approve enhanced FDIC coverage to mitigate severe stress events.
- Reverse the TCJA's sliding-scale treatment of FDIC assessment deductibility so that all assessments are tax-deductible.

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