

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 the needs of consumers. Yet, as banking and the market for financial services continue to evolve, policymakers must ensure that related laws and regulations keep pace. The deposit insurance and resolutions 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 any changes have for the banking industry, bank customers, and the economy at large.

Why It Matters

The questions surrounding deposit insurance are complex, and there are no "right" answers. The appropriate level of deposit insurance, relative to the costs and regulation and supervisory tradeoffs, are different for each bank. In the summer of 2025, ABA put forward a set of ten recommendations on deposit insurance modernization. The recommendations were developed by an executive level task force and approved by ABA's Board.

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

Recommended Action Items:

- Broaden the scope of considerations applied in determination of "least cost" to include potential contagion or other unwanted impacts, including community impact.
- Pre-approve enhanced FDIC coverage to mitigate severe stress events.
- Reverse the TCJA's sliding-scale method for determining the deductibility of FDIC assessments, making all assessments tax deductible.