

June 2, 2023

How big banks would pay for SVB and Signature failures

The Federal Deposit Insurance Corp. took the unusual step of using its emergency Deposit Insurance Fund to cover uninsured deposits of two recent bank failures: Silicon Valley Bank and Signature Bank. Between the uninsured deposits and assets sold at a discount, the FDIC estimated that the DIF would take an \$18.5 billion hit. The FDIC proposed a new rule last month that would force large banks to primarily cover that loss.

First Republic Bank's failure will cost a separate estimated \$13 billion, but the FDIC decided not to cover the bank's uninsured deposits.

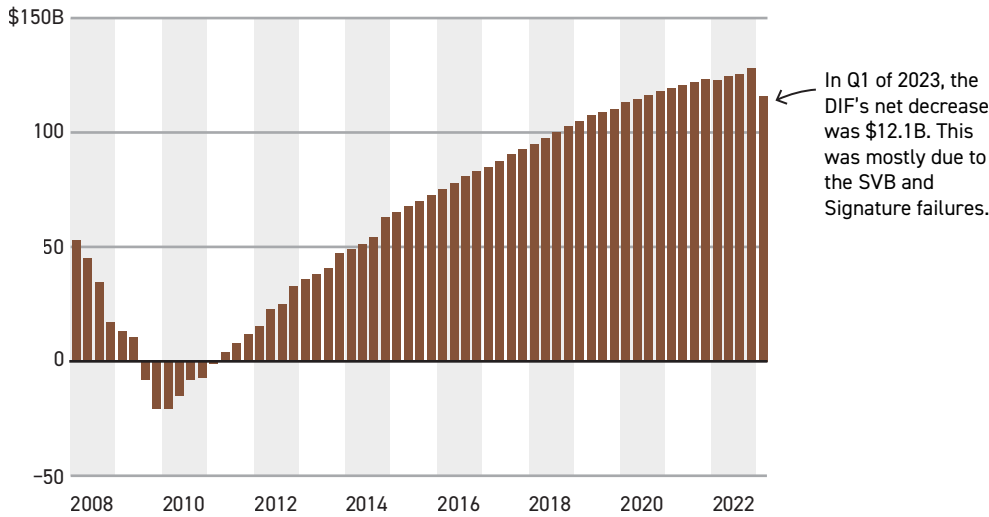
Uninsured funds comprised majority of DIF losses from SVB and Signature failures

PAYOUTS FROM FDIC, BY ASSET TYPE



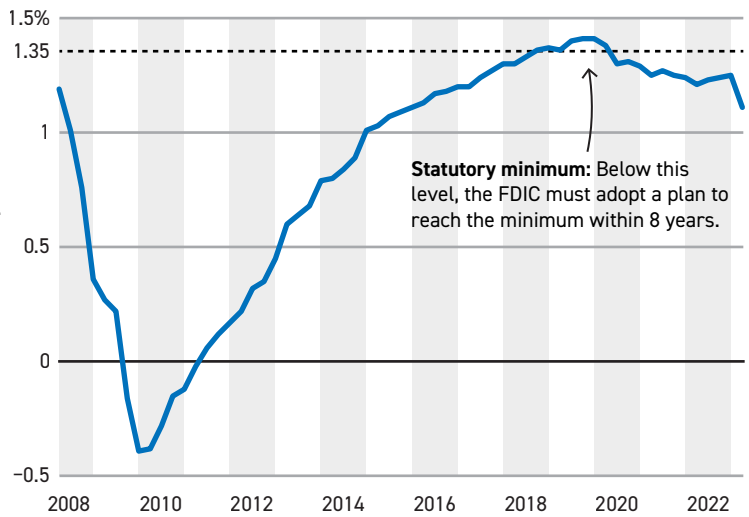
DIF had grown steadily since the Great Recession

DEPOSIT INSURANCE FUND BALANCE BY QUARTER



DIF mostly remained below required levels

RATIO OF DEPOSIT INSURANCE FUND BALANCE TO TOTAL VALUE OF INSURED DEPOSITS IN U.S.



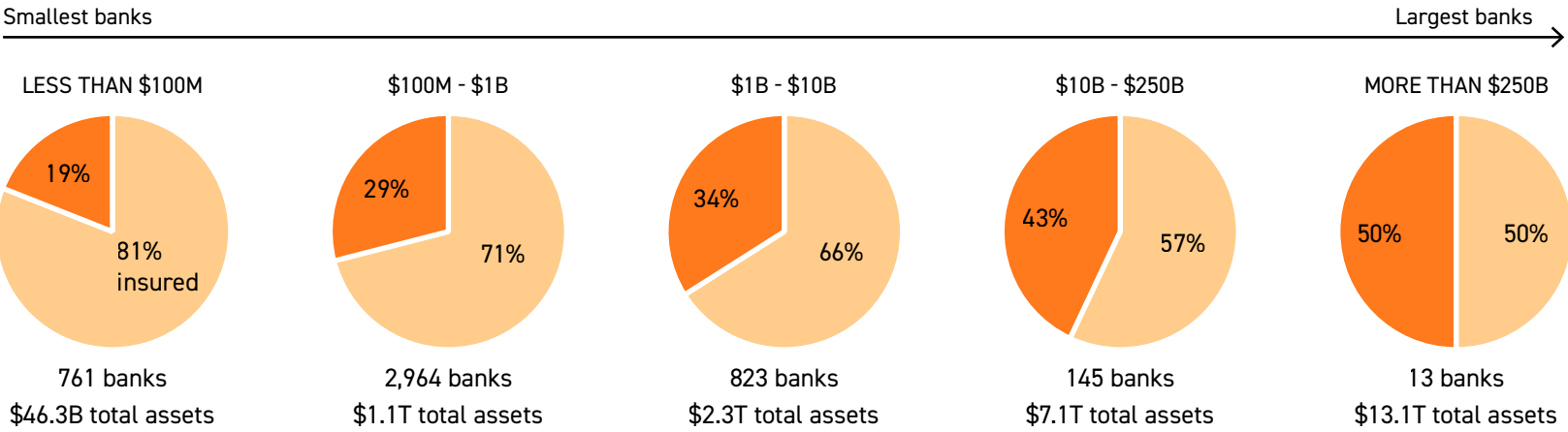
Special assessment will target larger banks with more uninsured deposits

The FDIC's board advanced a rule that would create a new charge on an estimated 113 banks with large amounts of uninsured deposits. The charge, called a special assessment, applies to all uninsured deposits, excluding the first \$5 billion. The assessment is 12.5 basis points (12.5 cents per \$100 dollars) annually. It would begin in the first quarter of 2024 and last until the \$15.8 billion of uninsured deposits in recent failures is replenished.

The rule advanced on a 3-2 vote, with supporters citing large banks' high proportion of uninsured deposits and a need to replenish the DIF. Michael Hsu, one of the board members, also said the proposal "supports a diverse banking system by minimizing costs on community banks." No banks with less than \$5 billion in assets would be subject to the assessment.

Larger banks assume more deposit insurance risk

PERCENT OF NON-EXCLUDED DOMESTIC DEPOSITS INSURED BY THE FDIC AS OF DECEMBER 2022, BY BANK ASSET CLASS



Required DIF contributions vary, but large banks have the highest maximums

MINIMUM AND MAXIMUM ANNUAL BASIS POINT ASSESSMENTS, BY TOTAL ASSETS AND RISK CATEGORY OF BANK

