The Deposit Security Act

On Friday, March 10, 2023, California-based Silicon Valley Bank (SVB) was closed and placed into receivership with the Federal Deposit Insurance Corporation (FDIC). Two days later, New York-based Signature Bank followed suit. At the time of its closure, SVB was reported to be the second largest bank failure in United States history. Unfortunately, that distinction lasted less than two months when another, larger, California-based institution, First Republic, failed, marking the conclusion of a tumultuous two-month period in the financial services industry.

In the immediate aftermath of these closures, federal regulators acted to solidify confidence in the banking system, in some cases guaranteeing all uninsured deposits, while in others assisting with the sale of the failed banks' assets. As a result, potential losses were minimized, and the federal government showed the country and the world that our financial systems are—and continue to be—strong and sound.

But spontaneous, *ad hoc* corrective actions are not sustainable. It is clear from reviews conducted by the Federal Reserve and the FDIC that Congress has a unique role to continue to bolster our robust financial services industry. Depositors – from families to small businesses – should have confidence that in the face of another bank failure they will have 24/7 access to their hard-earned deposited funds and can meet their obligations, whether that is meeting payroll, paying rent or putting food on the table. And depository institutions – particularly our community and regional banks – need to have the tools to ensure that they can continue to grow, thrive, and compete, while not being at risk of shuttering operations because of the actions of a few bad actors.

To accomplish these goals, the *Deposit Security Act* is being introduced, which would:

- Create a new, permanent version of the Transaction Account Guarantee (TAG) Program that was created by the FDIC from 2008 to 2010 and authorized by Congress from 2010 through 2012
    - As a reminder, the original TAG Program was instituted during the Global Financial Crisis to guarantee non-interest bearing, deposit accounts –which are primarily owned by businesses and local governments – that are critical for maintaining everyday, business operations.
    - While similar in its design to the initial iteration of the TAG Program, this version would insure deposits in non-interest bearing, transaction accounts - up to $10 million - at all banks and credit unions, regardless of the financial institution's asset size.
- Institute a biennial inflation adjustment of the $250,000 deposit insurance limit

Enacting these reforms will simultaneously help to minimize the fear of financial contagion in the future, continue to maintain depositor and consumer confidence in our financial system, and ensure that our smallest financial institutions are afforded the same opportunities and protections to keep their doors open as their largest competitors.