ABA Deposit Insurance Task Force Recommendations

August 12, 2025

Executive Summary

The deposit insurance and resolution 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. Created in 1933, deposit insurance promotes financial stability by helping to prevent runs and stem contagion should depositors lose confidence in a single institution or the industry more broadly.[1] Bank resolutions, which take place outside of the codified bankruptcy framework, help mitigate the costs of failures and ensure depositors have timely access to their funds. The Federal Deposit Insurance Corporation (FDIC), which oversees and manages deposit insurance and resolutions, is fully funded through assessments paid by banks, not taxpayers.

The current deposit insurance and resolution framework has served the nation well. The failure of Silicon Valley Bank (SVB) in March 2023 renewed questions about whether deposit insurance coverage levels are keeping pace with the needs of all depositors, and if, given the speed at which money moves today, the FDIC needs a more modern set of tools that allow swift action to manage and mitigate a modern stress event. Moreover, as the resolution of SVB unfolded, it became clear that a more robust and transparent process is needed around systemic risk determinations and the subsequent special assessments levied on banks.[2] Importantly, no taxpayer funds were used in SVB's resolution. Instead, the costs were borne by the Deposit Insurance Fund (DIF), which is funded by bank assessments.

Since the failures of March 2023, the failure of First National Bank of Lindsay, Oklahoma, in October 2024 raised questions about the fairness of resolutions, whether the FDIC should more rigorously consider the costs of a failure to local economies, and how to allow for greater community bank participation in the acquisition of failed banks. Combined, these policy questions have led Congress,[3] the FDIC,[4] and the banking industry to consider how the deposit insurance and resolution framework, which includes the tools the FDIC has to mitigate a stress situation, could be modernized to reflect the needs of today's depositors, banks and communities while promoting financial stability and a level playing field for banks of all sizes.

When most policymakers, depositors and other stakeholders think about deposit insurance, they tend to focus on the deposit insurance coverage limit, which currently stands at $250.000. Deposit insurance coverage limits, however, are only one aspect of the framework, which also includes the structure and management of the DIF, 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 deposit insurance framework, then, must consider these aspects.

To assess the need for modernization and provide the banking industry's perspective to the policy debate, ABA consulted with the breadth of its membership, comprised of banks of all sizes from the smallest community banks to midsize and regional banks and the largest globally active institutions. In the spring of 2023, ABA convened a member working group to identify areas in need of modernization and recommend policy solutions. In January 2025, the ABA formed an executive-level Task Force to further refine policy recommendations that could be helpful to Congress, regulators and other stakeholders.

[1] Public Law 73-66, 48 Stat. 162
[2] FDIC Special Assessment Pursuant to Systemic Risk Determination, in relation to the failure of SVB
[3] House Financial Services Committee, Roundtable on Deposit Insurance Reform, 2023
[4] FDIC *Options for Deposit Insurance Reform*, 2023

What follows are ABA's recommendations for modernization of the framework. Throughout ABA's work over the past two years, what is clear is that there are no simple or "right" answers, and that there are difficult tradeoffs in any of the varied policy options. ABA intends this report to be an initial set of recommendations based on currently available information that we hope advances the policy debate surrounding deposit insurance modernization.

ABA Recommendations on Deposit Insurance Modernization

Note: Some but not all of these recommendations would require legislative action in Congress.

Emergency Actions and Authority

1. Provide Congressional pre-approval for enhanced FDIC coverage to mitigate severe stress events.
2. Improve transparency of systemic risk determinations and special assessments.

Deposit Insurance Coverage, the Deposit Insurance Fund and Assessments

3. Ensure the coverage limit and any modifications to it are empirically based and indexed to inflation.
4. Maintain a DIF that is stable and properly calibrated to risk.
5. Make deposit insurance assessments tax deductible as they were prior to 2018.
6. Evaluate the potential cost and benefits of offering additional insurance for purchase by individual banks.

Bank Resolutions

7. Broaden the scope of considerations applied in determination of "least cost" to include potential contagion or other unwanted impacts.
8. Encourage community bank participation in resolutions to preserve essential banking services.
9. Open resolution-associated asset auctions to a greater diversity of investors
10. Publicly release resolution approaches considered in a given case and their respective estimated costs.

Background on the Deposit Insurance Framework

Deposit Insurance Coverage and the Deposit Insurance Fund

The Federal Deposit Insurance Corporation was established by the Banking Act of 1933,[5] which created the FDIC and the insurance fund for bank deposits, now known as the deposit insurance fund (DIF), in response to the economic stress in early 1933. Almost immediately, deposit insurance successfully enhanced public confidence in the banking system, stemming contagion and reducing bank failures. Today, deposit insurance, which protects depositors against losses, is a cornerstone of financial stability.[6]

Initially, deposit insurance coverage was set at $2,500 per depositor, effective January 1, 1934. Over time, legislation has increased the insurance limit, to account for inflation and volatility, and expanded the FDIC's authority.[7] The current limit is $250,000, per depositor, established in the Dodd-Frank Act.[8] Deposit insurance, including the FDIC and the Deposit Insurance Fund (DIF), is funded through assessments on insured banks. The DIF is pre-funded for future losses and, by statute, must be at least 1.35 percent of insured deposits. In the event of a shortfall, the FDIC is required to set premiums so that shortfalls are eliminated within eight years. Historically, the DIF has had sufficient balances to meet most of the costs of failed institutions without using its borrowing authorities.

Since its inception in 1933, the DIF has been funded through assessments on insured institutions. Each insured institution's assessment is calculated by multiplying its assessment base by its assessment rate. Prior to Dodd-Frank, institutions' assessment base was calculated using their total domestic deposits. Dodd-Frank revised the calculation of institutions' assessment base by anchoring it to average total consolidated assets minus average tangible equity, effectively tying the assessment base to an institution's total liabilities. Dodd-Frank's reform to the assessment base was intended to better capture systemic risk.

The *assessment rate* is calculated on a risk-adjusted basis. Currently, there are different approaches for large and small banks. The assessment rates for small banks, generally defined as being less than $10 billion in assets, are calculated by using a formula that analyzes call report and other financial data and each bank's CAMELS rating.

For large banks, generally defined as those over $10 billion in assets, the FDIC employs a scorecard that in addition to financial data and CAMELS ratings, also assesses a bank's ability to withstand stress, and a measure of loss severity that estimates the relative magnitude of potential losses to the FDIC in the event of the bank's failure.[9]

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[5] Public Law 73-66, 48 Stat. 162

[6] For more information about deposit insurance and its history, please see the FDIC's *Brief History of Deposit Insurance,* published in 1998.

[7] The FDIC Act of 1950 consolidated previous legislation and expanded the FDIC's powers, including the ability to lend to troubled banks and raise the insurance limit to $10,000. Subsequent increases to the coverage limit reflected inflation and changes in the banking environment:

- 1966: Raised to $15,000
- 1969: Raised to $20,000
- 1974: Raised to $40,000
- 1980: Raised to $100,000

[8] Currently, coverage from the DIF is extended on a per depositor, per account, per institution basis. That is, a depositor could be covered for an amount larger than $250,000 at a given institution if the depositor holds $250,000 or less in several different accounts across ownership account categories.[8] Additionally, if an owner holds two separate accounts in the same account category at two different institutions, both accounts would be covered up to the insurance limit.

[9] For additional information please see the FDIC's webpage dedicated to bank assessments and methodology

Bank Resolutions

Part of the role of the FDIC is resolving failed banks. When the FDIC is appointed receiver of an insured bank that fails it handles payment of depositors' insured deposits, collections on the failed bank's assets, and payment of all other creditor claims, and tries to recover its outlays from paying insured deposits. Anything remaining after creditors are paid is distributed to the bank's equity holders. The FDIC tries to make insured deposits available to customers of the failed bank as quickly as possible. In the FDIC's history, no depositor has ever lost even a penny in insured deposits.

The FDIC has several approaches it can use to resolve a bank, including purchase and assumption transactions and standing up a bridge bank. Timing and cost are key drivers of which option it chooses. The FDIC is required by law[10] to use the method expected to meet its deposit insurance obligations with respect to the failed bank at the least cost to the DIF ("least cost test").

In times of significant stress, the FDIC can consider factors other than cost when deemed necessary to mitigate risk to economic conditions or financial stability. Triggering it requires agreement of super majorities of the boards of FDIC and the Federal Reserve, as well as the Secretary of the Treasury after consultation with the President. This option was used in 2008 and in the 2023 failures of Silicon Valley Bank (SVB) and Signature Bank.

FDIC Emergency Authority

Following the failures of savings and loans in the 1980s and early 1990s,[11] Congress mandated a study of the deposit insurance system that ultimately recommended that the FDIC should seek to limit its coverage to only insured depositors whenever possible.[12] Importantly, the study also noted that "the presence of systemic risk could require a decision to protect uninsured depositors even if it is not the least costly resolution method."[13] This note from the congressional study led to the inclusion of the "systemic risk exception" in the text of the Federal Deposit Insurance Act.

The systemic risk exception under FDICIA allows for the suspension of the least-cost resolution requirement if the FDIC Board, the Board of Governors of the Federal Reserve System (FRB), the Secretary of the Treasury (together, the "Agencies"), and the President determine that a least-cost resolution "would have serious adverse effects on economic conditions or financial stability" and that the FDIC's actions would avoid or mitigate those effects.

The systemic risk exception was not used until October 2008, when the FDIC, FRB, and Treasury Department jointly announced the creation of the Temporary Liquidity Guarantee Program (the TLGP).

The TLGP was implemented to address the "serious adverse affects" that would result from the failure of multiple institutions at once in the fall of 2008. The TLGP was composed of the Debt Guarantee Program (DGP), which provided a limited term guarantee for certain classes of new debt issued by banks, thrifts, and financial holding companies, and the Transaction Account Guarantee (TAG) program, which guaranteed certain noninterest bearing transaction deposit accounts held by insured depository institutions.[14] The DGP proved to be a financial success, with the FDIC collecting over $9 billion in net revenue as a result of the program, and the TLGP ended at a slight $300 million loss after $1.2 billion in fees were collected.[15].

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[10] 12 USC 1824(c)(4).
[11] Additional information and can be found at here.
[12] See the Treasury Department, *Modernizing the Financial System: Recommendations for Safer, More Competitive Banks* (1991).
[13] Ibid.
[14] FDIC: Temporary Liquidity Guarantee Program
[15] Ibid.

Dodd-Frank, while extending TAG in part, also limited the FDIC's authority to create a TAG-like program guaranteeing the obligations of solvent insured depository institutions, holding companies, or affiliates moving forward. Under Title XI of Dodd-Frank, the FDIC takes such action only in times of severe economic distress, after an official determination that a liquidity event has occurred. Such a determination would have to include a written evaluation of the evidence that a liquidity event is occurring and would require an affirmative two-thirds vote of both the board of the FDIC and the FRB. The FDIC is no longer allowed to issue guarantees until the Congress formally approves such a program, significantly limiting its ability to manage liquidity crises, as was seen surrounding the failure of SVB.

ABA Recommendations on Deposit Insurance Modernization

Emergency Actions and Authority

As described above, Title XI of Dodd-Frank limited how the FDIC can engage in liability guarantees in future financial crises.[16] Under current statute, once a bank has failed, the FDIC must follow a least cost resolution. During times of broader stress, however, the FDIC can, together with the Treasury and Federal Reserve, make a systemic risk determination to allow resolutions options outside of "least cost." Further actions, such as the implementation of additional deposit coverage, require congressional approval.

Recommendation #1: Provide Congressional Pre-Approval for Temporary Crisis Coverage Enhancements

Following the establishment of the TLGP in 2008, Dodd-Frank altered how such a program could be enacted in the future. Now, under Title XI of Dodd-Frank, the FDIC can create a program to guarantee the obligations of solvent insured depository institutions, holding companies, or affiliates only in times of severe economic distress, after an official determination that a liquidity event has occurred.[17] Such a determination would have to include a written evaluation of the evidence that a liquidity event is occurring and would require an affirmative two-thirds vote of both the board of the FDIC and the FRB. Additionally, the FDIC is no longer allowed to offer temporary insurance above $250,000 until Congress formally approves such a program, significantly limiting the Agencies' tools and flexibility when responding to a crisis. Congressional response to COVID, however, included a pre-approval for the FDIC to cover bank liabilities on a temporary basis.

Section 4008 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)[18] granted temporary authority to the FDIC, in coordination with other agencies, to adjust deposit insurance coverage on non-interest-bearing transaction accounts in federally insured banks until the end of 2020. By enacting this Section, Congress recognized that the FDIC needed flexibility and additional tools to address potential liquidity events due to the pandemic. ABA recommends a permanent temporary authority similar to Section 4008, which would allow the FDIC to respond to stress events and mitigate potential contagion effects across the banking system. Congress should act to grant preemptive approval for the FDIC to temporarily back deposits and/or other liabilities under a specified set of crisis conditions.

[16] 19 12 U.S.C. § 5612
[17] 12 U.S.C. § 5612
[18] The CARES Act (P.L. 116-136) Section 4008: FDIC Bank Debt Guarantee Authority

As was accomplished through the TAG program during the 2008 crisis, as soon as such a program is triggered, depository institutions could pay for enhanced coverage. To promote accountability, the FDIC should be required to regularly report to Congress as long as such a temporary program is active.

Recommendation #2: Improve Transparency of Systemic Risk Determinations and Special Assessments

There is some concern that the current special assessment framework is opaque and vulnerable to politically motivated actions. As a threshold matter, the FDIC's decision-making process should be more transparent, predictable, and less susceptible to political influence. To that end, ABA recommends that Congress require the FDIC to develop a set of guidelines that outline the specific considerations that warrant a systemic risk determination and the methodology to be used to identify beneficiaries for purposes of a subsequent special assessment.[19] Moreover, to ensure fairness when considering who benefited from a future systemic risk determination, ABA recommends that the FDIC establish a set of parameters it will use to determine beneficiaries and, to the extent practical, the types of data it will use to support the analysis.

This framework, constructed with input from the industry, would better align future special assessments with the principles of the risk-based assessment framework, thereby enhancing clarity and transparency.

Deposit Insurance Coverage, the Deposit Insurance Fund and Assessments

Recommendation #3: Ensure the Coverage Limit and any Modifications to it are Empirically Based and Indexed to Inflation

The stress surrounding the failure of SVB is the most recent illustration that larger depositors may benefit from additional coverage and greater predictability of their coverage in a stress. For some depositors, typically at smaller and midsized institutions, the amount they receive for uninsured deposits depends on how the bank is resolved, if conditions warrant a “systemic risk determination” that increases deposit insurance coverage or Congress approves a temporary program to back deposits at a higher level than the standard coverage limit provides.

This uncertainty creates competitive inequities and can exacerbate financial instability. As a general matter, ABA believes that some depositors may benefit from additional deposit insurance coverage, that such coverage could enhance financial stability, and that any increase should be empirically driven.

There are many ways to structure additional coverage with each option having a number of benefits and tradeoffs across affected stakeholders, which includes the FDIC, banks, bank customers and the communities’ banks serve. ABA does not believe that there is currently enough publicly available data to recommend a specific increase in the coverage limit or fully understand the costs and how they should be allocated across the industry. Rather, we believe that any changes to the coverage limit should be data driven, with significant input from the banking industry and other stakeholders. A deeper and more robust data set than what is currently available is needed to answer those questions and understand the implications and costs of the plethora of policy options. We therefore reiterate our recommendation that the FDIC gather and analyze additional data to determine appropriate limits, analyzing the benefits and

[19] Section 13(c)(4)(G) of the FDI Act provides the FDIC with discretion in the design and timeframe for any special assessments to recover the losses to the DIF as a result of a systemic risk determination.

drawbacks of insuring diverse types of depositors.[20] If any change is enacted by Congress it should be indexed to inflation.

Recommendation #4: Maintain a DIF that is Stable and Properly Calibrated to Risk

By necessity, conversations about coverage levels must also include discussion about how the DIF is structured and the bank assessments required to build and maintain it. Under current statute, the DIF is pre-funded for future losses and must be at least 1.35 percent of insured deposits. ABA recommends that Congress and the FDIC reassess the size and structure of the DIF and designated reserve ratio targets once additional data is published and analyzed to make sure 1.35 is the appropriate level. As with changes to the coverage level, robust public debate will be required before establishing the size and structure of the DIF. As a threshold principle, ABA recommends that the FDIC maintain predictable and stable fund targets, and the FDIC avoids overcapitalizing the DIF, which would draw funds out of banks that would otherwise support loans and services for local economies across the nation. Additionally, ABA recommends that the FDIC review its methodology to ensure that calibration of DIF is based on modern risk principles including stress testing for potential default scenarios.

With respect to assessments, ABA recommends that the FDIC continue to use a risk-based approach, which incentivizes banks to mitigate riskier activities and prevent a shifting of risks to the DIF. Additionally, ABA recommends that the FDIC review its methodology for determining the premium paid by banks, including the treatment of brokered deposits, to ensure that the methodology is risk-sensitive. The FDIC should also seek to hold the level of assessments steady over time to help banks plan and commit optimal resources to serve customers. The FDIC should seek to avoid raising assessments in times of economic and financial stress, when banks' ability to serve customers may be most strained.

Recommendation #5: Make Deposit Insurance Assessments Tax-Deductible

FDIC premiums have historically been tax-deductible without limitation as an ordinary and necessary business expense. However, the 2017 Tax Cuts and Jobs Act[21] (TCJA) limited the amount certain banks may deduct for premiums paid pursuant to an assessment by the FDIC.

Under the TCJA, the deductibility of FDIC premiums is determined on a sliding scale, with deducibility being limited in part for banks with $10 billion in total consolidated assets and culminating in deductions being completely disallowed for banks with total consolidated assets of $50 billion or greater.

Per ABA estimates, in 2024, banks are on track to pay almost $13 billion in standard quarterly FDIC assessments, not including any additional special assessments imposed by the FDIC. Roughly 75% of those quarterly assessments will be paid by banks with over $50 billion in assets, and thus will be entirely non-deductible, and an additional 10% will be paid by banks with between $10 billion to $50 billion in assets, and thus will be at least partly non-deductible. Such a significant cost to institutions meaningfully increases their tax burden. ABA recommends that Congress reverse the TCJA's sliding-scale method for determining the deductibility of FDIC assessments.

Recommendation #6: Evaluate the potential cost and benefits of offering additional insurance for purchase by individual banks

As described above, the DIF has always sourced its funding only through premiums assessed on insured institutions. However, expanding insurance coverage of certain deposit products for an additional fee could serve as another income source for the DIF. The FDIC is currently prohibited by statue from offering such a program.

[20] ABA comment letter in response to the FDIC's RFI on Deposits RIN 3064-ZA42 (December 6, 2024).
[21] Tax Cuts and Jobs Act of 2017, Pub. L. 115-97, 131 Stat. 2054, § 13531 (2017).

Such product offerings would allow banks or their customers to purchase targeted insurance, likely resulting in lower FDIC costs for banks relative to excess deposit insurance products provided by the private sector. Limiting additional FDIC deposit insurance coverage to fixed-term certificates of deposit could reduce the possibilities for shifting funds among different classes of accounts and thus avoid volatility in insurance exposure that might otherwise result when account types are insured differently. ABA recommends that the FDIC explore the advantages of a program to provide targeted excess deposit insurance.

Bank Resolutions

In 1991, in response to the savings and loan crisis and the concurrent stress experienced throughout the savings & loan industry in the 1980s, Congress enacted the FDICIA.[22] Importantly, the FDICIA introduced a statutory requirement for the least cost test described above.[23] By implementing the least cost test, Congress sought to prevent the FDIC from depleting the DIF in the future when other, more cost-effective strategies could be used to resolve a failed bank. It also was intended to eliminate rescues of failing banks that suggested they were "too big to fail."

However, in practice, over the last 30 years, the least cost test has ultimately led to opaque resolutions of failed institutions that lack transparency and accountability and sometimes raised questions of fairness in the minds of other market participants.

Recommendation #7: Broaden the Scope of Considerations Applied in Determination of "Least Cost" to Include Estimated Costs of Potential Contagion or Other Unwanted Impacts

As currently practiced, the least cost test does not permit the FDIC to consider other costs that a particular bank resolution approach may impose on society. Specifically, different resolution methods may have different impacts on impairing the stability of other insured institutions or jeopardizing other institutions' future prospects.

As the failure of SVB made clear, the stress on a particular bank may be transmitted through the financial system to other insured banks and other financial market participants. To the extent other insured banks begin to experience such stress, it implies that their own failures may produce additional losses for the DIF. If those potential losses can be estimated, the choice of a resolution approach that minimizes them may be the least costly option from the perspective of the DIF as a whole, even if it increases incrementally the cost of resolving the failed bank most at risk and likely to fail first. ABA recommends that Congress explicitly recognize this more informed and nuanced approach, confirming that the FDIC should take account of the impact of its resolution strategy on other insured banks.

To the extent that the same argument could apply to financial market participants other than insured banks (the cost of whose failures are not covered by the DIF), the existing authority for the "systemic risk exception" to the least cost test should provide adequate options (especially if augmented by the additional emergency authority ABA recommends below). Relying on the systemic risk exception would have the added advantage of involving the Federal Reserve and the Secretary of the Treasury in the decision process, rather than leaving an assessment of impacts beyond the banking system to the FDIC alone.

Recommendation #8: Encourage Community Bank Participation in Resolutions to Preserve Essential Banking Services

[22] Timothy Curry & Lynn Shibut, *The Cost of the Savings and Loan Crisis: Truth and Consequences*, 13 FDIC Banking Rev. 26, 33 (2000).

[23] 12 U.S.C. § 1823(c)(4).

Under the least cost test as currently applied, the extent to which uninsured depositors are protected in a resolution depends on the bids received for the failed bank, some of which may include an offer to assume some or all uninsured deposits. As noted, in times of severe stress, the FDIC can, together with the Treasury and Federal Reserve, make a systemic risk determination, that allows consideration of factors other than cost to the DIF when taking action during a stress, which may in turn allow the FDIC to choose a resolution approach to preserve financial stability without limitation by cost.

ABA believes that the requirement to minimize the cost of a given bank failure to the DIF sometimes exacerbates competitive disparities in many cases by effectively prohibiting community banks from purchasing a bank that has failed in their community, or pieces thereof. This can create harmful effects for local communities, for example, when deposits and financial services leave the local area or are provided at increased cost.

ABA recommends that Congress direct the FDIC not only to factor potential community impact into the considerations driving a resolution strategy in each case but also to provide the FDIC with the power to balance the least cost test for community bank failures with options to mitigate negative impacts on the relevant communities.

One way to achieve this is by allowing an exception to the least cost test for a resolution method that would preserve financial services essential to communities or otherwise meet the convenience and needs of the community in the specific case. For example, this would allow the FDIC to carve out pieces of a failed institution franchise within specific footprints, markets or geographic areas for bidding by acquirers who might not wish to bid on the entire franchise of the failed bank. Moreover, given the value of deposits, which are the lifeblood of banks, smaller banks would be given the option of acquiring any deposits that are unwanted as the failed bank is being unwound. This approach could increase the likelihood of maintaining a higher level of banking services in the communities in question.

Recommendation #9: Open Resolution-Associated Asset and Franchise Auctions to a Greater Diversity of Investors

FDIC-managed asset sales are currently open to investors who complete a Prospective Bidder Information Form, asserting their interest and eligibility to purchase assets of failed financial institutions from the FDIC. Eligibility is determined on a transaction-specific basis, with some transactions requiring more capital than others.

By publishing objective qualification standards associated with asset sales of failed institutions, the FDIC would provide all potential investors with clarity as to what specific assets they are able to bid on, or what objective criteria they would need to meet, to qualify as a bidder for a given portfolio of assets. To further provide expedited access to asset sales to smaller institutions during an active resolution, a pre-vetted list of community banks (and other bidders) could be created by the FDIC.

Separately from the qualification standards associated with bidders, following a successful auction sale, the FDIC could publish the list of bidders permitted to engage in FDIC-managed asset sales to satisfy all investors as to the fairness of the bidder qualification process and the competitiveness of the auction. For example, by allowing consortiums of community banks to participate in resolution-associated auctions, the FDIC would increase the diversity of institutions permitted to bid on failed institution assets. An increase in the number and type of bidders would increase the competitiveness of auctions and quell equity concerns among depository institutions and the public as to who is invited to participate in FDIC-managed asset sales.

Moreover, for some bank asset portfolios and deposit franchises, a single bank (acquiring both the bulk of assets and the entire deposit franchise) may not be the most advantageous solution, if breaking up portfolios and/or deposit franchises would produce more aggressive bids than limiting bidders to those interested in acquiring the whole bank. Under some market conditions, asset purchasers even from outside the depository institutions universe may bring more competition to asset auctions and lower the ultimate cost of resolution, as well as reducing reliance on a more limited universe of whole-bank bidders.

Bearing in mind the FDIC's objective to avoid even a brief interruption in depositors' access to at least the insured portions of their accounts, widening the range of potential acquirers might involve establishing a bridge bank as permitted under current law.

If the application of the least cost test is refined as discussed above, these options could more frequently become the best choice for resolutions, but even under the current approach to the least cost test, they could be attractive, perhaps increasingly so as nonbank investors become accustomed to bid invitations.

Increasing the options in approaches to resolution simply builds on approaches already allowed under applicable law. ABA emphasizes that failed bank resolutions implicate multiple policy goals and multiple economic and community interests. We urge Congress and the FDIC to work toward a framework flexible enough to take appropriate account of those goals and interests that go beyond resolution costs alone.

Recommendation #10: Publicly Release Resolution Approaches Considered in a Given Case and Their Respective Estimated Costs

After deciding on what resolution strategy poses the least cost to the DIF, the FDIC discloses only brief summaries of bids it received for a failed institution, without any analysis of what the various options would have cost.[24] Such opacity surrounding resolution decision making can foster confusion among depositors and banking industry participants alike, which can ultimately exacerbate contagion.

ABA encourages the FDIC to make publicly available the resolution approaches considered and the estimated costs of each to improve the transparency and accountability associated with failed institution resolutions.

[24] See the FDIC's Failed Financial Institution Bid Disclosure Policy. Note that other information may be available by a formal request under the Freedom of Information Act (FOIA), but if the FDIC approves such requests, it typically does so only after lengthy reviews. ABA believes that FOIA requests for these data, though potentially useful in assessing the merits of a particular resolution, are not necessary to understand the FDIC's overall approach to resolutions and their impact on a stable and equitable financial system.

Conclusion

As the voice of the banking industry for the last 150 years, ABA believes it is important to take on complex issues that require asking difficult policy questions about and bringing banks of all sizes together, as only ABA can, in search of solutions that give all banks the best chance to succeed and thrive. The challenge of determining how best to modernize the nation's deposit insurance program represents one of those moments.

As noted earlier, the system in place has served the nation well, and Americans appreciate the peace of mind they receive from having their hard-earned funds in an FDIC-insured bank. We recognize, however, that recent events have raised legitimate questions about whether the system can be improved to reflect the realities of banking today. We also recognize that these recommendations do not answer all the complex policy questions surrounding the deposit insurance framework. Taken as a whole, however, we believe these recommended changes would make the existing system more responsive in moments of financial stress, more transparent and fairer to the institutions participating in the system and the customers they serve. Importantly, we also believe these recommendations can win support from a wide range of stakeholders, including banks of all sizes.

We offer these recommendations with the hope that they will inform and drive the discussion over modernizing deposit insurance in Congress and at the FDIC. We stand ready and willing to offer our perspective and feedback on these ideas and other constructive suggestions that may surface.