

TESTIMONY OF
JARRYD E. ANDERSON
BEFORE THE
COMMITTEE ON FINANCIAL SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.

**HEARING ON “THE FUTURE OF DEPOSIT INSURANCE:
EXPLORING THE COVERAGE, COSTS, AND DEPOSITOR CONFIDENCE”**

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My name is Jarryd E. Anderson, and I am a partner and co-chair of the Financial Services Group at Paul, Weiss, Rifkind, Wharton & Garrison LLP. At Paul, Weiss, I represent a range of financial institution clients including banks of all sizes, such as global systemically important banks, large regional and midsize banks, and community banks.

I began my career at the Federal Reserve Bank of Philadelphia and later served as a regulatory policy advisor in the Supervision and Regulation Division of the Board of Governors of the Federal Reserve System. At the Board, I helped to implement significant aspects of the Dodd-Frank Act and other high priorities for the agency, including the Federal Reserve's post-crisis recovery and resolution planning framework, rulemakings, and interagency and cross-border policy development. I am also a member of the Federal Deposit Insurance Corporation's Systemic Resolution Advisory Committee.

I am here today in my individual capacity and not on behalf of any client. The views I express are my own, and not necessarily those of my firm, any client, or any other organization with which I am or have been affiliated.

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Chairman Hill, Ranking Member Waters, and distinguished Members of the Committee, I am honored to be with you today to discuss the future of deposit insurance. Let me begin by commending you for the leadership you have shown in drawing attention to this issue of critical importance to the U.S. economy.

The U.S. deposit insurance framework has long been a pillar of our financial system and is a crucial support to the resilience of the U.S. economy. However, the events of recent years, including the collapse of several banks in the spring of 2023, have reopened questions regarding the need to update and modernize that framework and related measures to protect financial stability. I believe that the legislative proposals being considered by the Committee today contain promising efforts to further those goals. I hope that I can aid the Committee by providing some information and analysis that may shed light on both existing rules and potential reforms.

I. The Deposit Insurance System

First, I think it would be helpful to provide some historical context on how we have arrived at our current system. The Banking Act of 1933 (“Glass-Steagall Act”) created the FDIC and the predecessor to today’s Deposit Insurance Fund (“DIF”) in response to the stock market crash in 1929 and the subsequent banking panic that occurred in early 1933.¹ Deposit insurance proved successful at enhancing public confidence in the banking system, reducing bank failures in the United States from over 4,000 in 1933 to only nine in 1934.² From this auspicious starting point, deposit insurance became an enduring feature of our financial system.³

Since 1933, the DIF has been funded through assessments paid by banks,⁴ not taxpayers. A bank’s contribution is calculated by multiplying its *assessment rate* by its *assessment base*. Prior to the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), a bank’s *assessment base* was calculated using its total domestic deposits, both insured and uninsured. The Dodd-Frank Act revised the calculation of banks’ assessment base, defining it as average consolidated total assets minus average tangible equity. This effectively tied the assessment base to a bank’s total liabilities, not just its total deposits. This change increased the share of assessments borne by banks that rely more heavily on non-deposit liabilities as funding sources, which are primarily the nation’s largest banks.⁵

¹ Banking Act of 1933, Pub. L. 73-66, 48 Stat. 162 (1933); FDIC, *A Brief History of Deposit Insurance in the United States*, Int’l Conf. on Deposit Ins., at 20–29 (Sept. 1998) [hereinafter *A Brief History of Deposit Insurance*], <https://www.fdic.gov/bank/historical/brief/brhist.pdf>.

² *A Brief History of Deposit Insurance*, *supra* note 1, at 1; see also John R. Walter, *Depression-Era Bank Failures: The Great Contagion or the Great Shakeout?*, 91 ECON. Q. 1, 1 (2005) (examining reasons for the cessation of bank failures).

³ As one of the first countries to establish a deposit insurance system, the United States also plays a leading role at the International Association of Deposit Insurers. See Int’l Ass’n of Deposit Insurers, “History,” <https://www.iaidi.org/about-iaidi/history/> (last visited Nov. 16, 2025).

⁴ For the sake of simplicity, I use the word “bank” to refer to FDIC-insured depository institutions.

⁵ *Strengthening Deposit Insurance and Reviewing Increasing the FDIC and NCUA’s Borrowing Authority from Treasury: Hearing Before the S. Subcomm. on Banking, Housing, and Urban Affs.*, 111th Cong. 27 (2009).

The other factor in the assessment calculation, the *assessment rate*, is calculated on a risk-adjusted basis. Although the assessment rate was originally a flat rate, increased levels of bank failures in the 1980s eventually led to a shift to risk-based assessments beginning with the Federal Deposit Insurance Corporation Improvement Act of 1991 (“FDICIA”).⁶ The methodology for risk-based assessments has been further revised since, with the most significant recent changes being implemented under the Dodd-Frank Act. Under the current approach, assessment rates are calculated using different methods for small and large banks.⁷

Under the Federal Deposit Insurance Act (“FDI Act”), the FDIC is required to set a Designated Reserve Ratio (“DRR”), which is its annual target for the total amount of capital in the DIF as a percentage of the total estimated insured deposits in the industry. The FDIC is required by statute to maintain a minimum reserve ratio of 1.35% of insured deposits.⁸ In the event that the DRR falls below the statutory minimum or is expected to within the next six months, the FDI Act requires the FDIC Board of Directors to adopt a restoration plan to restore the DIF’s funding.⁹ The restoration plan must provide for full restoration within eight years under the FDI Act.¹⁰ Growth in insured deposits in early 2020, largely as a result of COVID-related stimulus, caused the DIF reserve ratio to fall below the 1.35% statutory minimum.¹¹ However, as of June 30, 2025, the DIF reserve ratio has exceeded the statutory minimum, and it currently stands at 1.36%.¹²

II. The FDIC’s Bank Resolution Authority

In addition to creating the FDIC and the DIF, the Glass-Steagall Act also granted the FDIC with the authority to manage the voluntary liquidation of failed banks. Under the Glass-Steagall Act, the only procedure for a payout to depositors was the establishment of a Deposit Insurance National Bank (“DINB”), a nationally chartered bank with no capital and a statutorily-

⁶ Federal Deposit Insurance Corporation Improvement Act of 1991, Pub. L. No. 102-242, § 302, 105 Stat. 2236, 2345–49 (1991); see FDIC, *A History of Risk-Based Premiums at the FDIC: Report No. 2020-01*, at 2–3 (Jan. 2020), <https://www.fdic.gov/analysis/cfr/staff-studies/2020-01.pdf>.

⁷ See FDIC, *Assessment Methodology & Rates*, <https://www.fdic.gov/resources/deposit-insurance/deposit-insurance-fund/dif-assessments.html> (last updated July 22, 2025).

⁸ Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, § 334, 124 Stat. 1376, 1539 (2010); see FDIC, *Fund Management*, <https://www.fdic.gov/resources/deposit-insurance/deposit-insurance-fund/dif-fund-management.html> (last updated Nov. 7, 2025). The Dodd-Frank Act gave the FDIC greater discretion regarding how to manage the DIF. See Designated Reserve Ratio, 75 Fed. Reg. 79286, 769286 (Dec. 20, 2010). Since 2010, the FDIC has set a DRR of 2.0% each year with a long-term goal to reduce pro-cyclicality and maintain a positive fund balance even during a banking crisis. See *id.* at 79287; FDIC, *Fund Management*, *supra*.

⁹ See 12 U.S.C. §§ 1817(b)(3)(B), (E).

¹⁰ *Id.*

¹¹ See FDIC, *Fund Management*, *supra* note 8; Federal Deposit Insurance Corporation Restoration Plan, 85 Fed. Reg. 59306, 59307 (Sept. 21, 2020).

¹² FDIC, *Quarterly Banking Profile, 2025 Quarter 2*, at 2 (Sept. 10, 2025), <https://www.fdic.gov/quarterly-banking-profile/quarterly-banking-profile-second-quarter-2025-pdf.pdf>. The DIF (and its predecessors) have been negative only twice in history: once in the early 1990s in the wake of the savings and loan crisis, and once during the 2008 Financial Crisis. See FDIC, CRISIS AND RESPONSE: AN FDIC HISTORY, 2008-2013, ch. 5, “Deposit Insurance: Fund Management and Risk-Based Deposit Insurance Assessments,” at 155 (2017); *A Brief History of Deposit Insurance*, *supra* note 1, at 53.

limited lifespan.¹³ Under a DINB-driven resolution, the FDIC advanced funds to the DINB in exchange for a claim on the assets of the receivership.¹⁴ The FDIC is empowered to engage in asset sales to maximize the proceeds ultimately recovered in exchange for the failed bank's assets.¹⁵

Within months of the Glass-Steagall Act's enactment, the FDIC sought to expand its resolution authority beyond the establishment of a DINB and selling failed bank assets out of a receivership. The Banking Act of 1935 provided for this expanded authority, empowering the FDIC to make loans, purchase assets, and provide guarantees to facilitate the merger and acquisition of failed banks.¹⁶ Under this new authority, the FDIC established the purchase and assumption method of resolution, by which an acquiring bank purchases the assets and assumes the liabilities of a failed bank.

The FDIC's resolution authority remained largely unchanged until 1987 when, in response to the savings and loan crisis beginning in the 1980s, Congress expanded the FDIC's resolution authority with the passage of the Competitive Equality Banking Act ("CEBA").¹⁷ CEBA created a new vehicle, a "bridge bank," as a method of managing a failed institution's resolution. A bridge bank serves to bridge the gap between a failed bank and a successful purchase and assumption transaction that cannot be accomplished at the time of the institution's failure.¹⁸ Bridge banks are intended to provide the FDIC with a vehicle to take control of a failed bank's business, stabilize its operations, and preserve its value as a going concern until a sale of the failed bank can be arranged.¹⁹

Also in response to the savings and loan crisis and the concurrent stress that was felt throughout the commercial banking industry in the 1980s, Congress enacted FDICIA.²⁰ Importantly, FDICIA introduced a statutory requirement that the FDIC resolve failed institutions in the manner that incurs the least possible cost to the DIF (the "least-cost mandate").²¹ By introducing the least-cost mandate, 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.

III. The Banking Stress of 2023

Much of the current impetus for reform originated in the spring of 2023 when, within the span of only two months, three of the four largest bank failures in U.S. history took place.²²

¹³ See *A Brief History of Deposit Insurance*, *supra* note 1, at 38; 12 U.S.C. § 1821(m)(18) (requiring the FDIC to wind up a DINB after two years of its date of formation).

¹⁴ See 12 U.S.C. § 1821(m)(11).

¹⁵ See *id.* § 1821(d)(2).

¹⁶ See *A Brief History of Deposit Insurance*, *supra* note 1, at 38.

¹⁷ Competitive Equality Banking Act, Pub. L. No. 100-86, 101 Stat. 552 (1987).

¹⁸ See COMPETITIVE EQUALITY BANKING ACT SENATE CONFERENCE REPORT, S. REP. NO. 100-190, at 550 (1987).

¹⁹ See Stephen K. Huber, *The Competitive Equality Banking Act of 1987: An Analysis and Critical Commentary*, 105 BANKING L.J. 284, 306–307 (1988).

²⁰ 12 U.S.C. § 1811 *et seq.*

²¹ *Id.* § 1823(c)(4).

²² Michael Ohlrogge, *Why Have Uninsured Depositors Become De Facto Insured?*, 100 NYU L.R. 345, at 347 (May 2025). On March 8, 2023, Silvergate Bank (\$11.3 billion in assets) announced that it would self-liquidate. On March 10, the California Department of Financial Protection and Innovation ("CDFPI") closed Silicon Valley Bank (\$209

These failures were triggered by a series of bank runs that played out with unprecedented speed. As many as 22 banks, mostly regional and midsize banks, experienced runs between March 9 and March 14 of that year.²³ In the most extreme case, SVB experienced over \$40 billion in deposit outflows on March 9.²⁴ These events illustrated that bank runs remain a tangible threat to the banking system, exacerbated by advancements in communications technology such as social media, and the capacity to move money through mobile banking faster than ever before. When these developments are combined with a panicked depositor base, the results can be catastrophic for the affected institutions and the risk of contagion is a tremendous concern.

Although the banking collapse resulted from the confluence of several factors, a significant common thread at all of the affected banks was a high concentration of uninsured deposits. At the end of 2022, 94 percent of Silicon Valley Bank’s U.S. deposits were uninsured,²⁵ and almost 90 percent of Signature Bank’s deposits were uninsured.²⁶ At the end of 2021, 98 percent of Silvergate Bank’s total deposits were uninsured, and 64 percent of First Republic Bank’s deposits were uninsured.²⁷ Contrary to beliefs about how “sticky” such deposits might be due to client relationships, uninsured depositors proved willing to flee their institutions in a short period of time.²⁸

The 2023 bank failures also renewed attention to the laws and policies governing bank resolutions and the government’s response to bank runs. Least cost resolution, as mandated by FDICIA, requires that the FDIC resolve banks in the manner that is least costly to the DIF.²⁹ Least cost resolution will often require that the FDIC impose losses on uninsured depositors at banks where the proportion of uninsured deposits is large. Indeed, on the same morning of Friday, March 10 that the FDIC was appointed as receiver for Silicon Valley Bank, the FDIC announced that it would establish a DINB, pursuant to which the bank’s uninsured depositors would receive an advance dividend and a receivership certificate for the remainder of their funds. This resolution approach meant that those depositors could face losses down the road.

billion in assets). On March 12, the New York Department of Financial Services closed Signature Bank (\$110 billion in assets). On May 1, the CDFPI closed First Republic Bank (\$232.9 billion in assets). See FDIC, *Options for Deposit Insurance Reform*, at 6–7 (May 1, 2023) [hereinafter *Options for Deposit Insurance Reform*], <https://www.fdic.gov/analysis/options-deposit-insurance-reforms/report/options-deposit-insurance-reform-full.pdf>; FDIC, *FDIC’s Supervision of First Republic Bank*, at 2 (Sept. 8, 2023), <https://www.fdic.gov/news/press-releases/2023/pr23073a.pdf>. The largest bank failure in U.S. history remains Washington Mutual (\$307 billion in assets), which occurred on September 25, 2008. FDIC, *Status of Washington Mutual Bank Receivership*, <https://www.fdic.gov/bank-failures/status-washington-mutual-bank-receivership> (last updated Mar. 6, 2025).

²³ Marco Cipriani, Thomas M. Eisenbach & Anna Kovner, *Tracing Bank Runs in Real Time*, Federal Reserve Bank of New York Staff Reports, no. 1104, at 1, 23 (May 2024), <https://doi.org/10.59576/sr.1104> (finding that the size bracket with the highest probability of being run was banks with between \$100 billion and \$250 billion in assets).

²⁴ Bd. of Governors of the Fed. Rsr. Sys., *Review of the Federal Reserve’s Supervision and Regulation of Silicon Valley Bank*, at 4 (Apr. 28, 2023), <https://www.federalreserve.gov/publications/files/svb-review-20230428.pdf>.

²⁵ *Options for Deposit Insurance Reform*, *supra* note 22, at 6–7.

²⁶ *Id.*

²⁷ *Id.*; FDIC, *FDIC’s Supervision of First Republic Bank*, *supra* note 22, at 2.

²⁸ See Cipriani et al., *supra* note 23, at 1 (“[T]he runs are driven by a relatively small number of very large depositors, rather than by a large number of small depositors [W]e see almost no evidence of runs by retail depositors.”).

²⁹ 12 U.S.C. § 1823(c)(4).

The initial decision not to protect uninsured depositors on the morning of Friday, March 10 did not seem to stem the contagion. Numerous other banks faced major deposit outflows throughout the day, with runs leading to the failure of Signature Bank on Sunday, March 12.³⁰

As the FDIC later explained,³¹ this approach would have been less costly than fully protecting uninsured depositors and the FDIC could not take that further step without relying on the “systemic risk exception.” If a determination of systemic risk is reached by the Secretary of the Treasury (in consultation with the President) after a recommendation supported by two-thirds of the FDIC Board of Directors and two-thirds of the Board of Governors of the Federal Reserve System (“Federal Reserve”), the FDIC may ignore the least-cost requirement.³² On March 12, the Treasury Department, FDIC, and Federal Reserve decided to invoke the systemic risk exception, clearing the way for the FDIC to establish bridge banks that would protect all depositors, insured and uninsured alike, at both institutions.

Normally, the FDIC closes banks for resolution late on a Friday afternoon, at the end of the banking day, to allow for the rapid and orderly resolution over a weekend and to limit the anxiety that could be caused by having lines of customers clamoring to withdraw their deposits. However, given the speed of the money movement on the evening of Thursday, March 9, the FDIC and the California Department of Financial Protection and Innovation made the difficult decision to close the bank on Friday morning, which meant that this process could not take place as smoothly as it typically does.

As an advisor to banks and other nonbank financial institutions during these events, I can attest to the genuine concern about how quickly and how far the stress would spread across the economy. I can also attest that regulators had to work incredibly hard on a short timeline to deal with challenging circumstances, and they had extremely difficult decisions to make under conditions of uncertainty and with incomplete information.

IV. Emergency Authority

The events of 2023 marked the first time that the systemic risk exception has been deployed since it was amended by the Dodd-Frank Act. The systemic risk exception was enacted by statute in 1992, and exercised several times from 2008 to 2009 during the Great Financial Crisis. Those two periods provide insight into how our system of emergency authorities performs under stress conditions.

The systemic risk exception was first used in October 2008, when the Treasury Department, FDIC, and Federal Reserve jointly announced the creation of the Temporary Liquidity Guarantee Program (“TLGP”) in order to strengthen confidence in the banking system in the wake of multiple bank failures, including Washington Mutual, Lehman Brothers, and Bear Stearns.³³ The TLGP consisted of (i) the Debt Guarantee Program (“DGP”), which provided a limited term guarantee for certain classes of new debt issued by banks, and (ii) the Transaction

³⁰ Cipriani et al., *supra* note 23, at 1–2.

³¹ *Options for Deposit Insurance Reform*, *supra* note 22, at 6–7.

³² 12 U.S.C. § 5383.

³³ *Options for Deposit Insurance Reform*, *supra* note 22, at 16.

Account Guarantee (“TAG”) Program, which provided unlimited deposit insurance coverage for noninterest-bearing transaction accounts at institutions that chose to participate.³⁴

The Dodd-Frank Act created a statutory version of the TAG program that came into effect when TLGP terminated in 2010, and which temporarily remained in effect until it expired at the end of 2012. Yet, at the same time that the Dodd-Frank Act extended TAG in part, it also limited the FDIC’s authority to create a similar widely available guarantee program in the future.³⁵ Under Title XI of the Dodd-Frank Act, the FDIC may only take such action in times of severe economic distress after an official determination that a liquidity event has occurred.³⁶ Such a determination would require an affirmative two-thirds vote of the boards of the FDIC and the Federal Reserve.

Critically, the Dodd-Frank Act introduced a requirement that any widely available program to guarantee the obligations of solvent financial institutions must also be approved by a joint resolution of Congress.³⁷ The Banking Stress of 2023 illustrates the problems with this approach. In an emergency situation, regulators and policymakers must act quickly and decisively to resolve failing institutions, discourage bank runs, and forestall contagion. The challenge of timely action is exacerbated by the speed of modern bank runs. Obtaining congressional approval of emergency financial stabilization measures is bound to be a slow and cumbersome process, out of tempo with the urgency of the actions that may be required.³⁸ The congressional approval requirement means that the FDIC’s current authority to create a TAG-like program is of limited value in practice. Eliminating the congressional approval requirement would go a long way to restoring the potential for a permanent TAG-like program to prove useful during future stress events.

V. Deposit Insurance Limits

A major issue under consideration is whether to raise the deposit insurance limit for certain types of accounts.³⁹ Raising the limit would reduce the incentives for some depositors (i.e., those not already fully covered) to participate in bank runs by protecting a greater share of their assets. However, raising the deposit insurance limit would also impose greater costs on banks through increased FDIC assessments, and higher deposit insurance limits means special assessment payments to establish and maintain a larger DIF. Some depositors may benefit from

³⁴ FDIC CRISIS AND RESPONSE: AN FDIC HISTORY, 2008-2013, *supra* note 12, at 42–43. Although the losses during the 2008 Financial Crisis resulted in a negative DIF balance, the surplus in revenues collected from the DGP ultimately resulted in a DIF surplus. *See id.* at 155–58.

³⁵ *See* Dodd-Frank Wall Street Reform and Consumer Protection Act § 343.

³⁶ 12 U.S.C. § 5612. While the original version of the provision prohibited using such a program to guarantee deposit obligations, the statute was amended in 2020 by Section 4008 of the CARES Act to allow the FDIC to guarantee noninterest-bearing transaction accounts as well. Coronavirus Aid, Relief, and Economic Security Act § 4008, P.L. 116-136, 134 Stat. 281, 477–78 (Apr. 9, 2020).

³⁷ 12 U.S.C. § 5383.

³⁸ In fact, during the weekend following SVB’s collapse, Congress was not in session and would not have been able to vote to authorize a TAG-like program.

³⁹ Specifically, the standard maximum deposit insurance amount (“SMDIA”). The SMDIA applies 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 different ownership account categories. *See* 12 U.S.C. § 1821(a)(1)(E).

additional coverage, but the form and level of such increased coverage should be grounded in empirical analysis based on expanded efforts by the FDIC to collect relevant data, along with significant input from the banking industry and other stakeholders.

Even without resolving empirical questions regarding the costs and benefits of particular reform proposals, there are common-sense reforms that Congress could implement today, including inflation adjustment of the coverage limit. The limit has been raised six times since it was originally established in 1934 at a level of \$2,500: it was raised later that same year to \$5,000, then to \$10,000 in 1950 and to \$20,000 in 1969.⁴⁰ Most recently, the limit was raised to \$40,000 in 1974, to \$100,000 in 1980, and finally to \$250,000 in 2008.⁴¹

Apart from those explicit changes, the real value of deposit insurance has also varied over time due to inflation. In 2005, Congress attempted to address the declining real value of deposit insurance by providing for inflation indexing of the deposit insurance limit with the passage of the Federal Deposit Insurance Reform Act of 2005 (“FDIRA”).⁴² Under FDIRA, the first time that the limit could be adjusted was March 10, 2010, and future adjustments could occur at five-year intervals.⁴³ However, the Dodd-Frank Act’s increase of the limit from \$100,000 to \$250,000 in July 2010 rendered FDIRA’s inflation adjustment provisions ineffective. Those provisions based the adjustment on the previous \$100,000 level, meaning that it would be many years before an inflation adjustment under FDIRA would authorize an increase in the limit.⁴⁴ Updating FDIRA to enable future inflation adjustments based on the current \$250,000 limit is a sensible reform that would fulfill the intent of that legislation and mitigate the recurring problem of the declining real value of deposit insurance.

Aside from costs in the form of higher assessments on banks, raising the deposit insurance limit imposes another important issue: moral hazard, which is a concern in any system of insurance.⁴⁵ Moral hazard arises when being insured against a risk creates an incentive to take greater risks than one otherwise would. At least in theory, depositors who stand to lose their funds in the event of their bank’s failure should have a stronger incentive to monitor the risks being taken by the bank and impose a form of market discipline by, for example, removing their deposits from the bank if the risks are too great, or demanding higher returns. Increasing the deposit insurance limit reduces this theoretical depositor discipline. Similarly, a higher deposit insurance limit would theoretically give insured banks the incentive to take on greater risks, since more of their potential losses would be borne by the insurer. Moral hazard is a concern that any proposal to increase the deposit insurance limit must grapple with; however, it is an open question whether moral hazard is a significant factor among the depositors that recent legislative proposals have sought to protect. Not all depositors are similarly sophisticated or have equally strong incentives to monitor banks, and reforms could be crafted to take this into account,

⁴⁰ *Options for Deposit Insurance Reform*, *supra* note 22, at 13.

⁴¹ *Id.*

⁴² Federal Deposit Insurance Reform Act of 2005, Pub. L. 109-171, 120 Stat. 9 (2006).

⁴³ 12 U.S.C. § 1821(a)(1)(F).

⁴⁴ As of February 2023, an inflation-adjusted equivalent of the \$100,000 limit under FDIRA would be \$152,271. *See Options for Deposit Insurance Reform*, *supra* note 22, at 14 n.31.

⁴⁵ *See Options for Deposit Insurance Reform*, *supra* note 22, at 29–31; Ohlrogge, *supra* note 22, at 359–61 (reviewing empirical evidence for moral hazard in the deposit insurance context).

particularly where the benefits to financial stability would be greatest.⁴⁶ A differentiated approach to deposit insurance limits could establish a higher limit for noninterest-bearing transactional accounts used primarily for payments, such as payroll obligations. A differentiated approach comes with its own potential challenges, though, including administrative complexity, customer confusion, and risks of circumvention.⁴⁷

VI. Conclusion

There is a broadly shared understanding among congressional Democrats and Republicans alike that we need to reassess the deposit insurance and bank resolution framework to take into account the lessons of recent years and the continued evolution of the U.S. banking system. I believe that legislative proposals under consideration by this Committee and in the Senate would make a genuine advance toward improving our current system and providing enhanced tools to regulators in periods of severe economic stress. Congress should act now and not delay until the next emergency. The various bills currently before the House and the Senate have bipartisan support and contain complementary features to achieve meaningful reforms. I am mindful that there are more nuances to these issues than I have been able to address in my testimony, but I am encouraged by this body's commitment to bolster U.S. financial stability and better arm regulators with the tools to defend against the foreseeable crises of tomorrow. Thank you for the opportunity to testify on this critical subject and I welcome any questions from Members of the Committee.

⁴⁶ See *Options for Deposit Insurance Reform*, *supra* note 22, at 48 (noting that “operational business depositors may be poorly situated to evaluate the risks on their bank’s balance sheet relative to investors”).

⁴⁷ See *id.* at 46–47, 49.