Statement for the Record

Financial Services Forum

Before the

Senate Banking Committee

September 10, 2025

The Financial Services Forum welcomes the opportunity to submit the following statement for the record as part of the Senate Banking Committee's hearing on "Evaluating Perspectives on Deposit Insurance Reform."

The events surrounding the regional bank failures of March 2023 revealed shortcomings in certain bank business models paired with poor interest rate risk management and inadequate supervision. Many in the industry have also raised legitimate policy questions about deposit insurance coverage and whether and how the framework could be updated and modernized. As a grounding principle, any adjustments related to deposit insurance must be preceded by an empirical assessment that weighs the costs and benefits of potential changes to both the stability of the financial system, as well as the broader health of the U.S. economy.

Deposit insurance is an important component of the prudential framework applicable to U.S. banks and is additive to the regulatory reforms adopted since the Great Financial Crisis (GFC). Forum member institutions are subject to highest level of capital, liquidity, and resolution requirements. These post-GFC reforms ensure that Forum members can remain resilient during prolonged periods of stress and, in the unlikely event that failure were to occur, they can be resolved in an orderly manner, without relying on government and taxpayer support.

The strict liquidity standards that Forum members are subject to have resulted in these firms maintaining significant liquidity levels that would allow them to effectively manage a period of heightened deposit outflows. These requirements include the full (100%) Liquidity Coverage Ratio ("LCR"), the full (100%) Net Stable Funding Ratio ("NSFR"), internal liquidity stress test ("ILST") and contingency funding plan ("CFP") requirements, and Resolution Liquidity Adequacy and Positioning ("RLAP") and Resolution Liquidity Execution Need ("RLEN") requirements. The LCR and NSFR respectively require the U.S. GSIBs to maintain on a daily basis High Quality Liquid Assets ("HQLA") equivalent to at least 100 percent of projected net cash outflows over a 30-day hypothetical stress scenario and to maintain over a one-year horizon stable funding exceeding 100 percent of "required stable funding" based on the liquidity characteristics of their assets, derivatives, and off-balance-sheet exposures.

Additionally, our GSIB member institutions must notify supervisors promptly if they fall out of compliance with these requirements for even a single day and must provide a remediation plan if the shortfall persists for three days or more. Detailed liquidity risk management standards supplement the LCR and NSFR, including ILST requirements, annual firm-specific and horizontal assessments of liquidity and liquidity risk management practices through the Federal

Reserve Board's Large Institution Supervisory Coordinating Committee ("LISCC") liquidity program, and enhanced internal liquidity requirements as part of firm specific resolution planning mandates (i.e., RLAP and RLEN). These stringent supervisory liquidity standards add detailed, firm-specific scrutiny of Forum member institutions' liquidity management practices to the quantitative requirements embodied in the LCR and NSFR. In addition, Forum member institutions provide regulators with a significant amount of liquidity-related data—again, on a daily basis—through their submission of the FR 2052a.

Forum members are also subject to loss absorbency requirements under the Total Loss Absorbing Capacity ("TLAC") and Long Term Debt ("LTD") framework where they must have a certain level of equity and long term debt available to be used to cover losses in financial distress and for an orderly resolution, adding financial comfort for uninsured deposit holders who would not have to assume these costs as these are borne by shareholders and certain debt holders, and subsequently supporting the transfer of uninsured deposits to an acquiring institution, and lowering the overall cost of a failure to the Deposit Insurance Fund ("DIF").

As this Committee considers the way forward for deposit insurance reform, Forum members would like to highlight some policy considerations in need of further study, including the complexity associated with potentially creating multiple classes of insurance protection and differing protection based on bank size, the optimal amount of incremental insurance coverage provided, alignment between deposit insurance coverage and costs assessed through FDIC premiums, and allocation of losses in future special assessments. While the aim of these reforms would be to support a larger group of depositors and discourage bank runs, policy design and calibration decisions must be considered carefully to appropriately limit financial stability risk and higher costs for future bank failures.

The Forum and its members appreciate the importance of this discussion, particularly in light of the 2023 bank failures, and would welcome future engagement with the Committee on the best way forward in the interests of the wider US banking sector.