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FDIC Releases Semiannual Update on the Deposit Insurance Fund Restoration Plan

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The Federal Deposit Insurance Corporation ("FDIC") Board held an open meeting on Tuesday to receive the semiannual update on the Deposit Insurance Fund ("DIF") Restoration Plan. As we previously wrote last year, the FDIC amended the DIF restoration plan with an increase in the base assessment rate charged to insured depository institutions.

At Tuesday's meeting, the FDIC staff reported that it projects that the reserve ratio should reach the statutory minimum designated reserve ratio of 1.35% by the statutory deadline of September 2028, and may reach it well before that, "though the precise timing is uncertain and depends on a number of factors." The FDIC Board accepted the staff's recommendation that no changes be made to the plan.

FDIC staff reported that as of year-end 2022, the reserve ratio increased one basis point from the previous quarter to 1.27%. Staff also noted that the Silicon Valley Bank and Signature Bank failures should not have a material impact on the restoration plan. The semiannual update stated that "[t]he FDIC estimated the cost to the DIF for these failures to be $20 billion and $2.5 billion, respectively. Of that estimated total cost of $22.5 billion, the FDIC estimated that approximately $19.2 billion was attributable to the cost of covering uninsured deposits pursuant to systemic risk determinations made on March 12, 2023." Because the $19.2 billion is required to be recovered by special assessment (for which a notice of proposed rulemaking is expected next month), staff reported that the impact of the March bank failures will be approximately $3.2 billion.

While industry will be happy to hear that this update on the DIF restoration plan will not result in increased deposit insurance assessments, all eyes will be on the forthcoming proposed rule to recoup the costs of the systemic risk exception coverage of uninsured deposits in March.