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FDIC Recommends Deposit Insurance Reforms to Better Protect Businesses

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On May 1, the Federal Deposit Insurance Corporation (FDIC) released a report titled [Options for Deposit Insurance Reforms](#), which outlines three options to reform the nation's deposit insurance system. The three options discussed in the report include:

- **Limited Coverage:** Maintaining the current deposit insurance framework, including insuring depositors up to a specified limit (possibly higher than the current \$250,000 limit).
- **Unlimited Coverage:** Extending unlimited deposit insurance coverage to all depositors. The report notes this option could promote higher levels of risk taking among depositors.
- **Targeted Coverage:** Offering different deposit insurance limits across account types with business payment accounts receiving significantly higher coverage than other accounts.

Of the three options outlined, the FDIC recommends its “targeted coverage” option, which would increase the current \$250,000 insurance cap on business accounts. FDIC Chairman Martin J. Gruenberg concurrently released a [statement](#) advocating for the targeted coverage option. “Business payment accounts pose greater financial stability concerns than other accounts given that the inability to access these accounts can result in broader economic effects. In addition, business payment accounts may pose a lower risk of moral hazard because those account holders are less likely to view their deposits using a risk-return tradeoff than a depositor using the account for savings and investment purposes.”

As the report acknowledges, to implement the recommended reforms would require Congressional action. Notably, the report does not discuss potential costs that would arise from a change to the current insurance cap.

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