

# FDIC Vice Chair Opines on Regulatory Response to Recent Bank Failures

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On April 12, at a roundtable discussion hosted by the Bipartisan Policy Center Federal Deposit Insurance Corporation (FDIC) Vice Chair Travis Hill opined that the following potential regulatory responses to the failure of Silicon Valley Bank and liquidation of Silvergate Bank should be considered.

- Requiring banks to hold capital against some or all unrealized losses on their bond investments.
  - Vice Chair Hill acknowledged potential downsides of this approach, including the tendency for market prices to exaggerate fluctuations in value during times of stress, and the incongruence of banks' capital requirements being driven by changes in the market value of securities, while ignoring changes in the value of loans.
- Reviewing the deposit insurance cap.
  - Vice Chair Hill noted “the deposit insurance cap is set not at \$250,000 per depositor, but at \$250,000 per depositor per institution per right and capacity. Which means that the cap is \$250,000 for some depositors and much, much higher than \$250,000 for others ... which might lead one to wonder whether those who would be most likely to impose market discipline are instead those most likely to ensure that all their funds are insured.”
- Moving with a sense of urgency to find an acquirer once a bank fails.
  - “The FDIC not only needs to be open to any and all bidders, it needs to act with urgency and initiative to solicit bids and make a deal happen... [T]his process requires the proactive engagement and leadership of other agencies, including the Treasury Department and Federal Reserve.”

A copy of his full remarks can be found [here](#).

## Our Take:

- The Vice Chair's views, if widely accepted by the FDIC, other regulators and Congress, suggest few upcoming changes to current law.

- Banks with large unrealized positions in their securities portfolios may face pressure to raise capital against some or all of those losses in the coming months.
- An increase in deposit insurance coverage is likely.

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