

Speeches & Testimony

Statement by FDIC Chairman Martin J. Gruenberg on the Notice of Proposed Rulemaking: Deposit Insurance Assessments for Small Banks FDIC Board Meeting, Washington, DC

June 16, 2015

In 1991, Congress directed the FDIC to establish and maintain a system that bases each institution's deposit insurance assessment on the risk that the institution poses to the insurance fund. The notice of proposed rulemaking before the Board today fulfills a responsibility of the FDIC to monitor and evaluate how well the assessments charged by the FDIC reflect risks to the insurance fund, and to consider improvements to the assessment system when appropriate.

The last major update to risk-based assessments for small banks -- that is, banks with less than 10 billion dollars in assets -- became effective in 2007. This proposal updates the data and methods that we use to determine risk-based assessments for small banks to reflect the experience during the recent financial crisis and make assessment rates more forward looking in how they capture risk. In particular, the proposal would base assessments on a model estimating the probability of failure using data from the financial crisis and prior years. These contemplated improvements would allow assessments to better differentiate riskier banks from safer banks, and allocate the costs of maintaining a strong Deposit Insurance Fund accordingly.

I would also note that the proposal is revenue neutral, so that it would not change the aggregate amount that the FDIC expects to collect from small banks. It would only change the allocation of premium costs based on the risk profiles of banks. To help banks understand the potential effect of the proposed rule, the FDIC is publishing an online assessment calculator that will allow institutions to estimate their assessment rates under the proposal.

I support publication of this NPR with a 60-day comment period and would like to thank staff for bringing forward this carefully developed proposal. We welcome public comment on the proposal.