Statement by Michael J. Hsu
Acting Comptroller of the Currency
At the FDIC Board Meeting
May 11, 2023

I support the notice of proposed rulemaking on special assessments.

In March, the U.S. government invoked the systemic risk exception to the least cost resolution requirement for failing banks. The purpose was to protect all depositors, including uninsured depositors, following the failures of Silicon Valley Bank (SVB) and Signature Bank. This action helped ensure that the U.S. banking system would continue to perform its vital roles of protecting deposits and providing access to credit for households and businesses in a manner that promotes strong and sustainable economic growth.

Under the Federal Deposit Insurance (FDI) Act, any loss to the Deposit Insurance Fund (DIF) arising from the use of a systemic risk exception must be recovered from one or more special assessments on insured depository institutions, depository institution holding companies (with the concurrence of the Secretary of the Treasury), or both, as the FDIC determines to be appropriate. The proposed special assessment is intended to recover the losses to the DIF incurred in protecting the uninsured depositors of SVB and Signature Bank following the systemic risk determination.

The FDI Act provides the FDIC with broad discretion to design the special assessment and requires the FDIC to consider "the types of entities that benefit from any action taken or assistance provided under this subparagraph; economic conditions, the effects on the industry, and such other factors as the Corporation deems appropriate and relevant to the action taken or the assistance provided."[1]

In this instance, the assessment base for the special assessment would be equal to a bank's estimated uninsured deposits adjusted to exclude the first $5 billion in estimated uninsured deposits from the bank or at the banking organization level.

I support the recommended approach described in the NPR for three reasons.

First, it is fair. The invocation of the systemic risk exception for SVB and Signature Bank prevented runs by depositors at other banks. The more uninsured deposits a bank had, the more of a beneficiary it was of the government's action, and the more of the cost of the special assessment it should bear. This is intuitive, simple, and fair.

Second, the recommended approach establishes a healthy precedent. While the FDIC has invoked the systemic risk exception several times in the past, this is the first time a special assessment has been required following a systemic risk determination.[2] Rather than simply default to assessing all banks as is done for the DIF generally, the Board is heeding the FDI Act

[1] 12 USC 1823(c)(4)(G)(ii)(III).
[2] Bank failures: The FDIC's systemic risk exception, accessed May 8, 2023, https://crsreports.congress.gov/product/pdf/IF/IF12378.

by considering who benefited from the systemic risk exception and adjusting the special assessment accordingly.

Third, the recommended approach supports a diverse banking system by minimizing costs on community banks, which are critical to local economies across the country.

For these reasons, I will vote to approve staff's recommendation to issue the NPR. I want to give special thanks to the FDIC staff for their thorough analysis and development of the NPR within the accelerated timeframes.