

AMERICAN BANKER[®]

REGULATION AND COMPLIANCE

Deposit insurance should prevent bank runs, not just react to them

By Chuck Shaffer, Jim Ryan and Jared Wolff | May 12, 2026

In the debate over deposit insurance reform, one argument has gained traction: Rather than modernizing the system, policymakers should rely on emergency authorities — like the Transaction Account Guarantee, or TAG, program — to stabilize deposits when the next crisis hits.

There is truth in that view. Emergency tools matter. In March 2023, regulators used extraordinary authorities to contain a rapidly unfolding situation.

Without them, the outcome could have been far worse. But treating emergency powers as a substitute for reform confuses crisis response with system design. Emergency authorities are essential. They are not enough.

The events of 2023 made one fact unmistakably clear: Money now moves faster than policy. Deposits no longer trickle out — they leave in hours, sometimes minutes. Businesses do not wait to see whether regulators will act, how they will act or whether their bank will be included. They move immediately, because they must.

That behavior is not irrational. It is responsible.

A CFO managing a payroll account is not in the business of assessing regulatory intent or timing. They are in the business of making sure employees



SOPHIE PARK/BLOOMBERG

The lesson of 2023 is not that emergency powers worked. It is that they were needed at all. A modern deposit insurance framework should make their use less likely, not more inevitable, write Chuck Shaffer, Jim Ryan and Jared Wolff.

get paid on Friday. When confidence wavers, they don't pause for clarity — they seek certainty.

And today, that certainty is not evenly distributed. In March 2023, uninsured operating deposits did not leave the banking system — they moved upstream to the largest institutions. Those flows were not driven by pricing or performance. They were driven by a sim-

ple perception: Where will my money be safest if something goes wrong?

Emergency authorities did not prevent that movement. They followed it.

That is the core limitation of a response-only framework. By the time emergency tools are deployed, the system has already absorbed the shock. Deposits have moved, funding has shifted, and confidence has fractured.

Policymakers are left stabilizing outcomes rather than preventing them. This is why crisis response, by itself, is not a strategy.

A modern financial system requires both crisis response and crisis prevention. The former stops panic once it begins. The latter reduces the likelihood that panic starts in the first place.

The structural issue is straightforward. The accounts most prone to flight — large, non-interest-bearing business operating balances — are also the least protected under the current framework. These are not speculative funds. They are payroll accounts, vendor payments and working capital. They exist because businesses must operate, not because they are seeking yield.

When those balances exceed the insurance cap — as they routinely do — depositors are forced into a choice: Accept uncertainty, or move to an institution perceived as safer. In 2023, they chose movement. And that movement had consequences. Deposits concentrated at the largest institutions. Midsize and regional banks lost stable funding. Lending capacity tightened. The system became more concentrated — not less.

Relying solely on emergency authorities going forward would repeat that pattern. It would leave depositors guessing whether a crisis has been declared, whether regulators have acted and

whether their institution will be included. It would also reinforce the perception that safety depends on size — that protection ultimately flows to those institutions deemed too large to fail.

A credible framework requires something more durable: clarity before the crisis. That is the role of targeted deposit insurance modernization. By extending coverage specifically to non-interest-bearing business operating accounts — payroll, payables and working capital — we can provide depositors with a clear answer to a simple question: Is my operating cash safe where it sits?

That answer must be known in advance.

This is not about insuring everything. It is about insuring the category of deposits whose instability creates system-wide risk. It is a targeted solution to a specific vulnerability — one that regulators, economists and industry participants have all identified.

Importantly, it does not replace emergency authorities. It complements them. Emergency tools will still be needed. Crises will still occur. Policymakers must retain the ability to act decisively when unexpected shocks arise. But those tools should serve as the backstop, not the foundation.

The foundation should be a system that reduces the incentive for pan-

ic-driven movement, keeps confidence distributed across institutions of all sizes, and allows banks to compete on service, relationships, and performance — not on perceived government support.

The alternative is a system that continues to rely on after-the-fact intervention — one that stabilizes crises once they begin but does little to prevent them. We have already seen where that leads.

The lesson of 2023 is not that emergency powers worked. It is that they were needed at all. A modern deposit insurance framework should make their use less likely, not more inevitable.

The path forward is not choosing between prevention and response. It is recognizing that we need both — and designing a system that reflects that reality.



Chuck Shaffer
CEO, Seacoast Bank

Chuck Shaffer is CEO of Seacoast Bank and vice chair of the Mid-Size Bank Coalition of America.



Jim Ryan
CEO of Old National Bancorp, and chairman of the Mid-Size Bank Coalition of America.

Jim Ryan is the chairman and CEO of Old National Bancorp and chairman of the Mid-Size Bank Coalition of America.



Jared Wolff
CEO, Banc of California

Jared Wolff is CEO of Banc of California and chair-elect of the Mid-Size Bank Coalition of America.