**View from the FDIC: Update on Key Policy Issues**

**Remarks by FDIC Acting Chairman Travis Hill**

April 8, 2025

## Introduction

On my first day as Acting Chairman two and a half months ago, I outlined a list of issues on which the FDIC would focus.[1] Today, I will provide an update on a few of those policy issues and describe the agency's plans for future work in these areas.

## *De Novo* Bank Formation

For many years, commentators have been discussing consolidation across the banking industry, as the total number of bank charters has declined from around 8,500 at the start of 2008 to approximately 4,500 today.[2] While much of the focus has been on the role of bank mergers, statistically, the decline in banks since the start of the Great Financial Crisis is *less* a product of increased merger activity and much *more* a product of the steep decline in new bank formation.

Since 1980, the intercompany merger rate has been fairly consistent, generally moving within a range of 1% to 4% per year, depending on the year.[3] The overall average rate since 1980 is approximately 2.5% per year, while the average rate per year since 2018 is 2.7%. If we count all charter closings (which also includes failures[4] and intracompany mergers), the average since 1980 is 4.2% per year, while the average since 2018 is 3.4%. In other words, the decline in banks has been *slowing* in recent years. And of course, in absolute terms the annual number of mergers and charter closings has declined dramatically.

Meanwhile, the *de novo* rate has fallen off a cliff. From 1995 to 2007, the *lowest* number of new banks established in a year was 93. Going back a little further, in 1984, 412 new banks formed. Meanwhile, since the start of 2010, the *total* number of new banks formed over 15 years is 86, an average of less than 6 per year. Forty-four of those 86 opened in the four years between

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[1] *See* Federal Deposit Insurance Corporation, Statement from Acting Chairman Travis Hill (Jan. 21, 2025) (hereinafter, "2025 Statement").

[2] *Compare* Federal Deposit Insurance Corporation, Statistics at a Glance (Mar. 2008) *with* Federal Deposit Insurance Corporation, Statistics at a Glance (Dec. 2024).

[3] In the 45 years since 1980, the merger rate has exceeded 4% only twice (in 1998 and 2018), and has once dropped below 1% (in 2010).

[4] The failure rate peaked during the 1980s at 525, or 3.2% of all banks, in 1987, and peaked during the Great Financial Crisis at 157, or 2% of all banks, in 2010.

2019 and 2022, a modest but meaningful increase largely attributable to reforms to the process and mindset put in place by Chairman McWilliams.

While I do not expect we will get anywhere close to the 100-plus new banks per year of the pre-2008 era, in order to preserve the long-term viability of the community bank model, we need to find ways to encourage more new bank formation, and we are actively considering several ideas to achieve this objective. One idea we are considering is identifying scenarios in which certain types of applicants may be subject to adjusted standards, including with respect to up-front and ongoing capital expectations.[5] One such type of application might include proposals to open traditional, noncomplex community banks in parts of the country that lack local banks. Currently, approximately 68 million Americans live in counties that do not have a community bank headquarters. It might be the case that the benefit a new community bank provides to the "convenience and needs of the community to be served" in regions that lack a community bank presence justifies a more flexible approach to the other statutory factors the FDIC is required to consider.[6]

We are also reevaluating how we process deposit insurance applications from organizers proposing banks with new or innovative business models. I recognize there are benefits to bringing some of these firms into the bank-regulated sphere. For example, a fintech with a large number of deposit accounts may present less risk to the Deposit Insurance Fund (DIF) if it becomes a regulated bank, rather than placing deposits at multiple banks through complex partnership arrangements. While applicants will still need to meet the full suite of regulatory obligations of being a bank, we will, in collaboration with the chartering authorities, approach these types of applications with an open mind.

Among the types of deposit insurance applications the FDIC processes are applications from industrial loan companies (ILCs). At an FDIC Board meeting last summer, I expressed my view that the FDIC should issue a request for information (RFI) or advance notice of proposed rulemaking to ask a comprehensive set of questions addressing issues related to ILC applications.[7] I continue to believe this would be useful, and as a result the FDIC is now actively working on issuing such an RFI. I recognize that a wide range of stakeholders across the financial services industry have expressed strong opinions on this issue over the years, and I encourage interested parties to provide input once the RFI is released.

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[5] *See* Federal Deposit Insurance Corporation, Applying for Deposit Insurance (Dec. 2019) ("The FDIC expects the initial capital of each *de novo* institution to be sufficient to provide a tier 1 capital to assets leverage ratio of not less than 8 percent throughout the first three years of operation.").

[6] 12 U.S.C. § 1816.

[7] *See* Federal Deposit Insurance Corporation, Statement of Vice Chairman Travis Hill, Notice of Proposed Rulemaking on Industrial Loan Companies (July 30, 2024).

Overall, deposit insurance remains a special government privilege, and we will maintain rigorous standards for approval in line with our statutory requirements. But we will do so with an eye towards reestablishing a meaningful pipeline of new entrants into the banking sector.

**Digital Assets and Blockchain**

Upon becoming Acting Chairman, I announced that the FDIC would adopt a more open-minded approach to innovation—including with respect to digital assets and blockchain—and began the process of revamping the FDIC's approach in these areas.[8]

The FDIC recently issued a Financial Institution Letter (FIL) that (1) rescinded the prior notification requirement specific to crypto- and blockchain-related activities (collectively, "crypto-related activities") and (2) clarified that FDIC-supervised institutions may engage in permissible crypto-related activities without receiving prior FDIC approval.[9] In practice, the prior notification requirement effectively prohibited many banks from engaging in crypto-related activities. Under the new guidance, permissible crypto-related activities will generally be treated just like other permissible activities, and, as with other such activities, we expect institutions to consider and manage associated risks, and engage with their supervisory teams as appropriate.

Although our new guidance should simplify the process for banks to deploy new products and services, we expect to issue additional guidance in the future on particular crypto-related activities, and are working through a number of outstanding questions for which additional clarity could be useful.

For example, should we more comprehensively identify which crypto-related activities are permissible?[10] In 2020 and 2021, the Office of the Comptroller of the Currency (OCC) determined that certain specific crypto-related activities—custody services for crypto-assets, accepting deposits as stablecoin reserve assets, stablecoin issuance, and acting as validator nodes on blockchains—are permissible for national banks (and thereby for FDIC-insured state-

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[8] *See, e.g.*, 2025 Statement, *supra* note 1; Federal Deposit Insurance Corporation, Press Release, FDIC Releases Documents Related to Supervision of Crypto-Related Activities (Feb. 5, 2025).

[9] *See* Federal Deposit Insurance Corporation, Financial Institutions Letter, FDIC Clarifies Process for Banks to Engage in Crypto-Related Activities, FIL-7-2025 (Mar. 28, 2025).

[10] *See, e.g.*, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, Joint Statement on Crypto-Asset Policy Sprint Initiative and Next Steps (Nov. 23, 2021) ("... the agencies plan to provide greater clarity on whether certain activities related to crypto-assets conducted by banking organizations are legally permissible …"); Federal Deposit Insurance Corporation, Remarks by Vice Chairman Travis Hill, Banking's Next Chapter? Remarks on Tokenization and Other Issues (Mar. 11, 2024) ("I think our goal should still be to provide as much clarity as is feasible regarding what is permissible and what we consider safe and sound.") (hereinafter, "Tokenization Speech").

chartered banks).[11] Beyond this universe, are there crypto-related activities for which regulators should proactively provide clarity with respect to permissibility?

One specific area that merits attention is the use of public, permissionless blockchains by banks. Other jurisdictions have allowed banks to interact with public chains for many years,[12] but the U.S. banking agencies have effectively prohibited it.[13] While a complete prohibition on interacting with public chains is clearly too restrictive, what guardrails would be prudent? How should we view public chains that operate in a permissioned manner?[14] The banking agencies will need to formally revisit the January 2023[15] and February 2023[16] interagency guidance and develop durable standards for the responsible use of public chains, as well as other activities implicated by the guidance.

In addition, as legislation related to payment stablecoins advances through Congress, there are a number of issues for the banking agencies to consider, including those related to liquidity risk management, illicit finance, and cybersecurity. In addition, should the FDIC revisit pass-through deposit insurance regulations[17] to clarify eligibility requirements for deposits that serve as stablecoin reserves?[18]

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[11] *See* Office of the Comptroller of the Currency, Authority of a National Bank to Provide Cryptocurrency Custody Services for Customers (July 22, 2020) (Interpretive Letter #1170); Office of the Comptroller of the Currency, OCC Chief Counsel's Interpretation on National Bank and Federal Savings Association Authority to Hold Stablecoin Reserves (Sept. 21, 2020) (Interpretive Letter #1172); Office of the Comptroller of the Currency, OCC Chief Counsel's Interpretation on National Bank and Federal Savings Association Authority to Use Independent Node Verification Networks and Stablecoins for Payment Activities (Jan. 4, 2021) (Interpretive Letter #1174).

[12] *See, e.g.*, European Investment Bank, Press Release, EIB issues its first ever digital bond on a public blockchain (Apr. 28, 2021) (describing the issuance of a two-year, €100 million bond issued on the Ethereum blockchain).

[13] *See* Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, Joint Statement on Crypto-Asset Risks to Banking Organizations (Jan. 3, 2023) (stating that "issuing or holding as principal crypto-assets that are issued, stored, or transferred on an open, public, and/or decentralized network, or similar system is highly likely to be inconsistent with safe and sound banking practices").

[14] For example, researchers at the Federal Reserve analyzed two tokenized bonds issued on the Ethereum blockchain, including the EIB bond issued in 2021, and found, among other things, that "[p]ermissioning at the smart contract level allows issuers of tokenized assets to ensure tight levels of control over a crypto-asset." Cy Watsky, Matthew Liu, Nolan Ly, Kurtis Orr, Amber Seira, Zach Vida, and Lawrence Wu, Tokenized Assets on Public Blockchains: How Transparent is the Blockchain? *FEDS Notes*, Board of Governors of the Federal Reserve System (Apr. 3, 2024).

[15] *Id.*

[16] Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, Joint Statement on Liquidity Risks to Banking Organizations Resulting from Crypto-Asset Market Vulnerabilities (Feb. 23, 2023).

[17] *See* 12 C.F.R. § 330.5; 12 C.F.R. § 330.7.

[18] Many of the exiting operational rules developed for pass-through deposit insurance—such as the records needed to identify the ultimate owners of the deposits—were designed around legacy systems and may present challenges with blockchain-based payment arrangements.

Finally, as financial institutions continue to tokenize real-world assets and liabilities,[19] and banks continue work towards tokenizing commercial bank deposits, what additional regulatory clarity is warranted? From the FDIC's perspective, we should provide certainty that "deposits are deposits, regardless of the technology or recordkeeping deployed."[20] We also should work to ensure that technical capabilities exist to stop the flow of funds via blockchains at the point of a bank's failure. Otherwise, the cost of resolving a bank could rise rapidly if counterparties, using smart contracts, are able to continue to withdraw funds at par post-failure.

These are just a few of the outstanding questions and issues we are considering, as we work to establish a consistent, transparent approach to oversight of banks that provide crypto- and blockchain-related products and services, while ensuring appropriate guardrails are in place, consistent with safety and soundness standards.

**Resolution Planning**

Next I'll turn to resolution planning. In 2024, the FDIC updated its IDI resolution planning rule (IDI Rule).[21] I noted at the time of the proposal that the amendments to the rule incorporated the wrong lessons from the 2023 bank failures.[22] In particular, under the updated IDI Rule, resolution planning revolves entirely around entering and exiting a bridge bank, whereas I think a key lesson of the 2023 bank failures is how costly a bridge bank solution can be.

Many are familiar with the deposit runs that Silicon Valley Bank (SVB), Signature Bank, and First Republic Bank experienced before they failed, but SVB and Signature also experienced

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[19] *See, e.g.*, Global Market Overview, *RWA.xyz* (showing over $247 billion in tokenization real-world assets, including stablecoins, private credit, U.S. Treasury securities, and commodities) (last accessed Apr. 5, 2025).

[20] Tokenization Speech, *supra* note 10.

[21] *See* Federal Deposit Insurance Corporation, Resolution Plans Required for Insured Depository Institutions With $100 Billion or More in Total Assets; Informational Filings Required for Insured Depository Institutions With at Least $50 Billion but Less Than $100 Billion in Total Assets, 89 Fed. Reg. 56,620 (July 9, 2024).

[22] *See* Federal Deposit Insurance Corporation, Statement of Vice Chairman Travis Hill, Proposed Amendments to the IDI Resolution Planning Rule (Aug. 29, 2023) ("The proposal would also elevate the importance of each firm developing an 'identified strategy' for resolution, which must include entry into and exit from a bridge bank. I am generally skeptical that this is the best way to approach resolution planning. The ideal resolution outcome is almost always a quick whole bank or all deposit sale concurrent with or shortly after the FDIC's appointment as receiver, as occurred when First Republic failed in May. I think the focus of resolution planning for most of the firms in scope should first and foremost be on maximizing the likelihood of such an outcome."). *See also* Federal Deposit Insurance Corporation, Remarks by Vice Chairman Travis Hill, Recent Bank Failures and the Path Ahead (Apr. 12, 2023) ("Once the SVB bridge bank opened on Monday, March 13th, the value of the franchise deteriorated rapidly as depositors withdrew funds and customers moved their banking relationships elsewhere. This underscores a critical lesson for regional bank resolutions: once the bank fails, the government must be proactive in finding an acquirer as quickly as possible.").

significant deposit runs *after* failure upon reopening as a bridge bank.[23] SVB experienced a $40 billion deposit run before it failed, and a deposit run of approximately $67 billion *after* it failed while it was operated as a bridge bank, which represented more than half of the deposits at the bank at the time of failure. Similarly, Signature experienced a run of approximately $35 billion in deposits during the one-week period it operated as a bridge bank, representing just under half of the deposits at the bank at the time of failure. The loss of deposits subtracts from the failed institution's franchise value, and increases the cost of failure to the DIF.

This "melting ice cube" problem is a common feature of bridge banks and conservatorships,[24] given that customers and counterparties will always question whether it is worth continuing to do business with an institution that has just failed and has a highly uncertain future.[25] Furthermore, prolonged turmoil can potentially be destabilizing to the banking industry and the broader economy.

From a resolution planning perspective, for large institutions, our primary goal should be maximizing the likelihood of the optimal resolution option, which experience has demonstrated to generally be a weekend sale. Of course, we should be realistic that a weekend transaction may not be available in all cases. Thus, a secondary objective should be to be prepared to operate the institution for a short period of time post-failure, while pursuing a sale of at least the deposit franchise as quickly as possible.

In the coming days, we plan to issue updated FAQs related to the upcoming IDI Rule resolution plan submissions. We will continue to require IDI resolution plans but will waive several of the content requirements – in particular, we will deemphasize and broaden the "strategy" discussion and waive the expectation that banks identify and build their plans around a hypothetical failure scenario. Instead, we will look for plans focused more specifically on

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[23] First Republic was sold to an acquirer the same weekend it failed and did not open as a bridge bank.

[24] *See, e.g.*, Federal Deposit Insurance Corporation, CRISIS AND RESPONSE: AN FDIC HISTORY, 2008-2013 (2017) p. 197 ("During the first two weeks after IndyMac's failure, a run on deposits led to the withdrawal of almost $3 billion from the newly chartered bridge institution, IndyMac Federal. The unprecedented deposit withdrawals likely reduced IndyMac Federal's franchise value and clearly signaled to the FDIC that a much deeper issue was lack of trust in the financial system.").

[25] *See, e.g.*, Federal Deposit Insurance Corporation, Systemic Resolution Advisory Committee Meeting (Dec. 5, 2023), at 95-96 (statement of Timothy J. Mayopoulos) ("I think in my personal view as an operator, I think it's highly unlikely that we were able to operate this bridge bank for much longer absent some resolution of these key issues . . . It raises a question as to how long you can actually operate a bridge bank. . . . I think from my perspective in order to be able to do that, be able to successfully execute a long-term bridge bank strategy, one needs to give both customers and key employees clear and credible reasons to think that they should want to be part of a long-term strategy for the bank that gets articulated pretty early. So despite the creation of the bridge bank and the extension of the deposit protection to all deposits which was extremely valuable, obviously Silicon Valley's clients were actively considering whether they should take their business elsewhere. And understandably, some of them actually did that.").

providing the FDIC the information it needs to rapidly market the institution and, if needed, operate the institution for a short period of time.

Outside of the IDI Rule process, we also plan to engage in outreach with large institutions in their capacity as potential *acquirers*. Our motivation is to be as prepared as possible to rapidly market a large, failing institution with little advanced notice, so we are not flat-footed, as we were with SVB. We will ask questions such as: What information and data do bidders need? How should the information and data be presented? What type of transaction structures are more or less attractive? Is the documentation sufficiently clear? How else can the FDIC improve the bidding process? This will then inform the capabilities testing we conduct under the IDI Rule so that institutions have capabilities to produce the information and data potential acquirers need. In addition to facilitating an efficient and orderly sale, this will also reduce the cost to the DIF, as better presentation of the right information enables bidders to seek lower discounts.

These are just a few pieces of a multifaceted effort towards improving resolution readiness. We also plan to further engage with potential nonbank bidders, to facilitate their ability both to partner with banks on bids and to bid individually on particular asset pools. We are also working to improve and formalize possible receivership borrowing arrangements, to avoid a repeat of the high-cost borrowings from the Federal Reserve in 2023.[26] Overall, we hope to be much better prepared in the event that a large bank fails in the future, and to be able to resolve it in a much more cost-effective manner.

**Asset Thresholds**

In 2019, the banking agencies issued final rules that established the "tailoring" categories for large banks.[27] The preamble to the interagency tailoring rule acknowledged that the rule's quantitative thresholds "should be reevaluated over time to ensure they appropriately reflect growth on a macroeconomic and industry-wide basis" and stated that the agencies would "periodically review[] the thresholds and propos[e] changes through the notice and comment process."[28] Five and a half years later, based solely on inflation, $100 billion in November 2019 is equivalent to $124 billion today.[29]

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[26] *See* Federal Deposit Insurance Corporation, Remarks by Vice Chairman Travis Hill, Reflections on Bank Regulatory and Resolution Issues (July 24, 2024).

[27] *See* Board of Governors of the Federal Reserve System, Prudential Standards for Large Bank Holding Companies, Savings and Loan Holding Companies, and Foreign Banking Organizations, 84 Fed. Reg. 59032 (Nov. 1, 2019); Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements, 84 Fed. Reg. 59230 (Nov. 1, 2019) (hereinafter, "Capital and Liquidity Rule").

[28] *See* Capital and Liquidity Rule, *supra* note 27, at 59244.

[29] *See* U.S. Bureau of Labor Statistics, CPI Inflation Calculator.

Similarly, many of the thresholds applicable to small banks have not been adjusted for many years, including the $10 billion asset threshold that emerged from the 2008 financial crisis. While some uses of the $10 billion threshold are statutory, others exist at regulators' discretion, such as the threshold for the FDIC's large bank scorecard for deposit insurance assessments[30] and the informal $10 billion threshold for the FDIC's continuous examination program.[31]

Over the past several weeks, we have been inventorying and analyzing the dozens of numerical thresholds used by the FDIC, and considering different options for indexing and the impact those options would have. After multiple years of inflation well above the Federal Reserve's 2% target, it is worth exploring whether regulatory thresholds should be raised—and potentially indexed—to reflect inflation and/or macroeconomic and industry growth.

**Conclusion**

Of course, the issues I discussed today are just a few of the many we are focused on at the FDIC. Among other things, we are actively engaging with our interagency peers on reforms to the capital framework, including adjustments to the supplementary leverage ratio. We continue to consider a number of options to reform and better focus supervision.[32] We are also working on a rulemaking related to reputational risk that would prohibit FDIC supervisors from (1) criticizing or taking adverse action against institutions on the basis of reputational risk and (2) requiring, instructing, or encouraging institutions to close, modify, or refrain from offering accounts on the basis of political, social, cultural, or religious views. Relatedly, we are also exploring additional ideas to comprehensively put an end to debanking.

Overall, we are prioritizing ensuring our regulatory approach promotes a vibrant, growing economy, while at the same time promoting a safe, sound, and resilient banking system.

Thank you for your time today.

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[30] *See* 12 C.F.R. § 327.16(b).

[31] Currently, nearly all FDIC-supervised banks with $10 billion or more in assets are subject to the continuous examination program, and a small handful of FDIC-supervised with less than $10 billion in assets are subject to the continuous examination program.

[32] *See* Federal Deposit Insurance Corporation, Remarks by Vice Chairman Travis Hill, Charting a New Course: Preliminary Thoughts on FDIC Policy Issues (Jan. 10, 2025) ("We will need to make adjustments to how we implement the CAMELS rating system and to our examination manuals, and we will need to modify how we train examiners.").