NOV 20
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Big banks hit with a bigger-than-expected bill for March bank collapses

Article

The update: On November 16, **the Financial Deposit Insurance Corporation (FDIC)** [approved](#) **key aspects of its** [proposal](#) **for a "special assessment" fee on US financial institutions (FIs)** to replenish the deposit insurance fund, which was drained of $16.3 billion earlier this year by the collapse of **Silicon Valley Bank** (SVB) and other lenders.

- The finalized proposal ignored calls from FIs to change the payment calculations.

What's the final plan? The FDIC decided major FIs will foot the bill for the uninsured depositors whose funds were tied up in the March banking crisis.

- Large FIs will now pay an annual rate 13.4 basis points, 0.9 points higher than the original proposal.
- The bill will be collected over eight periods, which the FDIC estimates will generate $15.8 billion within two years.
- Smaller FIs with less than $5 billion remain exempt from this plan.

Reactions from FIs: Four banks will cover a hefty portion of the fees, and their representatives have expressed disappointment in the decision.

- **JPMorgan's** estimated bill is $3 billion, **Bank of America's** is $1.9 billion, **Wells Fargo's** is $1.8 billion, and **Citigroup's** is $1.5 billion.
- Rob Nichols, head of the American Bankers Association, said, "We are disappointed ...that the final cost of the assessment has increased, and we continue to have concerns with some aspects of the resolution process and the methodology underlying the special assessment."
- Citi Chairman John C. Dugan said he's concerned about how this will affect the amount of lending FIs can offer.

Key takeaways: The FDIC's decision to go above and beyond to protect uninsured deposits set a precedent that's left big banks carrying the responsibility for depositors' financial health.

- Now that the proposal is approved, we may see increased lobbying by large FIs seeking to avoid being the primary funding source for such measures in future.