

Ranking Member Tim Scott (R-S.C.)
Opening Statement
Full Committee Hearing
July 20, 2023 at 10:00 AM

Thank you, Mr. Chairman. I look forward to hearing from each and every witness this morning. Especially Mr. Olmem—welcome back to the Committee, I know that you were here under Senator Shelby, and we certainly miss Senator Shelby but appreciate your expertise and your wisdom coming back to the Committee. And good morning to both of the other witnesses as well.

Deposit insurance is an incredibly important—an incredibly important—issue and one that plays a large role in ensuring the ability and the stability of our financial system. And one, frankly, that is top of the mind, as of recent months.

Any American who walks into a bank and sees that very recognizable FDIC-insured sign knows with certainty that they have up to \$250,000 of their account covered by that insurance. And they're safe because the government protects those deposits from loss. In fact, over 99% of all deposit accounts are fully insured under the FDIC. And as the FDIC likes to say, not a single penny of insured deposits has been lost, at all, since 1934.

However, in March, deposit insurance was thrust into the limelight when it played a key role in stabilizing our economy and making sure our account holders were safe in the wake of three historic bank failures. Our government took extraordinary measures to cover unprecedented amounts of uninsured deposits.

These bank failures—still fresh in our minds—brings us here today, where we hope to hear about various perspectives on deposit insurance and whether our current deposit insurance regime is appropriate or if changes should be made.

It's not an understatement to say that deposit insurance is a complex issue that deserves a thorough evaluation. And what legislative response may be necessary—if any—because when it comes to proposals for reform to the

system, there are a number of tradeoffs we must consider. And frankly, even scrutinize.

Nothing in life, except for faith, is free, and it is worth noting that none of the proposals we'll discuss today come without a cost. The bill always comes due, and someone always has to pay for any proposed increases that have been floated around as possibilities.

Furthermore, the costs of these increases will most likely be borne by our small businesses and everyday consumers, in the form of higher fees and potentially decreased credit availability.

And like with any proposal, we must evaluate the benefits and the burdens. Any potential reforms will not operate in a vacuum. We have to look and understand how our existing deposit insurance regime works and really see how it interacts with our broader financial system as a whole.

It is also important to question whether a response to supervisory failures should be included in reforms to deposit insurance or in accountability measures for our regulators.

As I've said from the beginning and even in this Committee's recent markup of the RECOUP Act, consumer trust and confidence demand a high price. And it's incumbent upon us in Congress to deliver safety and soundness for the American people—in both our businesses, but also with our regulators.

And finally, we must also take broader societal and technological changes into consideration as we discuss deposit insurance. Silicon Valley Bank's collapse was the first social media-fueled bank run. I think we all saw on Twitter the flight of \$40 billion in deposits in just a single day. The increasing influence of social media means that we now live in a world where any message can be spread nearly instantaneously with billions of people. Financial innovations such as online banking and faster payment systems mean that people can move their deposits very quickly, with just a few clicks. Like all things, there's positives and negatives to that.

And just as we must consider deposit insurance reform in the context of supervision and regulation, we must also consider the impacts that rapidly advancing technology have on the system, and whether a system designed in the 1930s still works in the 2020s and beyond.

In the end, we must focus solely on the American people and what is best for them. By doing so, we can foster an environment that encourages responsible banking practices and secures the financial futures of all Americans. I look forward to hearing and learning more from our witnesses today to help inform the Committee's members on potential paths forward for maintaining confidence and diversity in our banking system.

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