



Press release

29 August 2024

Advisory Scientific Committee publishes report on banks' vulnerability to deposit runs

- The report reflects on banks' vulnerability to deposit runs in the aftermath of the latest banking crisis.
- It discusses pros and cons of proposed policy options to strengthen resilience of the banking sector to crisis.

The banking crisis in March 2023 led to the failure of several mid-sized US banks and also of Credit Suisse. Since that crisis the Advisory Scientific Committee (ASC) of the European Systemic Risk Board (ESRB) has been reflecting on the vulnerability of banks to deposit runs and possible policies to address it. Based on these discussions, the ASC has prepared a report entitled "[Addressing banks' vulnerability to deposit runs: revisiting the facts, arguments and policy options](#)".

The report documents the importance of deposits for EU banks and how they have evolved, reviews the academic literature on bank runs, and discusses a broad set of existing or potential policies that have been proposed to address vulnerability to runs or the underlying causes. It provides an academic perspective and does not necessarily reflect the official stance of the ESRB or its member organisations.

In total, the report discusses ten policy options. Five are options that could be implemented by fine-tuning existing regulations and supervision: enhancing supervision of bank liquidity and funding positions; amending liquidity requirements; amending capital requirements; improving the pricing of deposit insurance; and enhancing going concern recapitalisation capacity. Another five are options that would involve deeper structural changes to the financial system: narrow banking; prepositioning of collateral at the central bank; tighter convertibility conditions for uninsured deposits; extended deposit insurance coverage; and a move to mark-to-market accounting. The pros and cons of each option – none of which is an ESRB Recommendation as in Article 16 of its founding regulation – are discussed in detail, based on findings in the academic literature and an assessment by the ASC of their feasibility.

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The report serves as independent input of the ASC to ongoing discussions at the European, international and national levels.

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