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INTRAFI® RESEARCH BRIEF FOR BANK EXECUTIVES

Diane Ellis, Senior Managing Director, IntraFi

Academic research often shapes how banking risks and policies are understood. IntraFi's Research Briefs for Bank Executives distill relevant research studies into concise, accessible summaries focused on what the findings mean for bank leadership.

Nonmaturity deposit stability: established factors and recent developments

- Recent bank deposit runs cannot be explained by faster transaction technology alone; depositor composition and interconnectedness also matter.
- Technology's most significant impact on deposit stability appears to be indirect, through faster communication and coordination among depositors.
- Social and digital channels can amplify instability or support depositor confidence, depending on how information is communicated and received.

Why nonmaturity deposit stability is being reexamined

In response to the banking sector stress in the spring of 2023, the Basel Committee on Banking Supervision reviewed more than 100 academic studies and regulatory reports to examine the stability of nonmaturity deposits (NMDs). The speed and scale of depositor outflows during this period raised questions about how new developments in the bank operating environment over the last several decades may have affected depositor behavior.

The review evaluated both **established drivers of deposit stability**—including deposit insurance, depositor discipline, competition, interest rates, and monetary policy—**and newer factors** that may have altered depositor behavior over time. These newer factors include technological change, NMD stability, regulatory and legal developments, and potential mitigating influences.

This summary focuses on one of those newer factors: **technology**. Subsequent summaries will cover additional factors examined in the Basel Committee's review.

Factor focus: technology

Key findings

- Technology has reduced friction for some depositors, but it has not materially changed withdrawal capability for larger corporate and institutional accounts.
- Indirect effects of technology—particularly faster information spread—have had a more significant impact on deposit instability than direct transaction speed.
- Bank communication through digital channels can influence whether technology amplifies runs or supports stability.

What the literature examines

Technological innovations have been widely discussed in recent literature, with a distinction between **direct** and **indirect** technological effects on deposit behavior.

- **Direct effects** relate to depositors' ability to move funds more quickly and with less operational friction.
- **Indirect effects** relate to how technology influences depositor behavior by accelerating the dissemination of information.

What the evidence suggests

Direct effects

Studies express skepticism that recent technological advances alone explain the speed of deposit outflows seen in recent deposit runs. While online and mobile banking platforms have made it easier for retail customers to access and move deposits, the majority of withdrawals in recent bank failures were made by corporate and institutional depositors. These entities have had access to electronic funds transfer capabilities for decades, suggesting that their ability to withdraw funds quickly has not fundamentally changed.

Indirect effects

The literature is more aligned on the role of technology in accelerating information flows. Smartphones, social media, and real time messaging platforms have increased the speed at which information—and concern—spreads among depositors. Several papers highlight how highly connected depositor bases can amplify contagion risk. In the case of Silicon Valley Bank, researchers point to overlapping venture capital relationships and coordinated communication among depositors as contributing factors. Other studies note that reputational shocks disseminated through social media played a role in subsequent loss of confidence episodes, including at Credit Suisse.

At the same time, the literature does not conclude that social media is inherently destabilizing. Some banks used digital and social channels during the 2023 stress period to foster transparency, encouraging discussions about balance sheet fundamentals. In these cases, technology may have helped restrain panic rather than accelerate it.

Considerations for bank management

- Has technology materially changed the behavior of a meaningful portion of your deposit base?
- How interconnected are your largest depositors, including through shared industries or funding relationships?
- Do you have established communication practices for addressing depositor concerns during periods of stress, including through digital or social channels?