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FOR BANK EXECUTIVES

Nonmaturity Deposit Stability: What Bank Executives Need to Know

Key Takeaways

Following the banking turmoil of 2023, the Basel Committee on Banking Supervision reviewed more than 100 academic studies and regulatory reports to evaluate whether structural changes in the banking system altered the stability of nonmaturity deposits. The review found some support for the view that deposit stability may be more vulnerable than in the past. Within the Basel Committee's broader review, three developments were highlighted as particularly relevant to how quickly deposits can leave under stress:

- Uninsured deposits have become larger, more concentrated, and more interconnected.
- Deposit competition has intensified because of changes in technology, market innovation, and the growth of nonbank alternatives for customers' cash balances.
- The rapid rise in interest rates during 2022–2023 exposed these vulnerabilities relating to depositor stability.

Questions for Management

Drawing on the developments highlighted in the literature review, the key question for bank leaders is no longer whether deposits are stable under normal conditions, but how quickly uninsured and rate-sensitive deposits could run off under stress. Factors to consider:

- Has the share of uninsured deposits at the bank increased over time?
- Are uninsured balances concentrated among a small number of customers, industries, or depositor types?
- Which depositor segments are most likely to move funds in response to higher rates or competing products?
- How vulnerable would the bank be to a rapid outflow of uninsured deposits?
- Are we making full use of available tools to retain large deposit relationships while reducing uninsured exposure?
- Are contingency funding, liquidity, and depositor communication plans sufficient to address a sudden loss of uninsured funding?

What Has Changed?

The literature review identifies several factors that could have, at least in part, influenced the stability of nonmaturity deposits. A previous brief on this paper focused on technology. This brief focuses on the institutional landscape, specifically the industry and depositor changes surrounding nonmaturity deposits.

1. Uninsured Deposits Have Become a Larger Source of Risk

Uninsured deposits have long been associated with heightened run risk. What changed over the period before the 2023 banking turmoil was their size, concentration, and interconnectedness.

The share of uninsured deposits relative to U.S. bank assets increased from approximately 24% in 2000 to 42% in early 2022. At some institutions, these deposits became concentrated among a relatively small number of large commercial and institutional clients.

The literature review suggests that uninsured depositors tend to be more rate-sensitive than traditional retail depositors and are more likely to react quickly to perceived risks. Concentrated and interconnected depositor bases may be especially vulnerable because depositors often share information, business relationships, and risk perceptions. These findings are consistent with the liquidity issues experienced by Silicon Valley Bank and Signature Bank, where depositor concerns spread quickly within interconnected depositor groups. Depositors in these networks could move funds in real time and were aware, to a degree, of one another's actions, an interconnectedness that magnified the underlying concentration. In Silvergate's final quarter before liquidation, crypto clients accounted for more than 90% of its deposits. As a result, balances at these banks behaved less like stable relationship deposits and more like short-term funding.

2. Competition for Deposits Has Intensified

The competitive environment for deposits has changed significantly over the past two decades.

Technology has reduced switching costs and made moving funds easier than ever. At the same time, money market funds, brokerage sweep products, fintech platforms, and other nonbank firms now compete directly with banks for customer cash balances.

For many commercial and affluent customers, these alternatives offer attractive yields combined with convenient digital access. As a result, deposits have become more sensitive to market rates, particularly during periods of rising interest rates.

The literature review suggests these developments could have increased both the likelihood and speed of deposit outflows when competing products offer better technology or meaningfully higher returns.

3. The 2022–2023 Rate Cycle Amplified Existing Vulnerabilities

Interest rates have always influenced depositor behavior, but the most recent tightening cycle was unusual in both speed and magnitude. As rates rose rapidly, the opportunity cost of holding funds in low-yield deposit accounts increased sharply, and depositors responded by shifting funds into money market funds and other higher-yielding alternatives. The literature review notes that this dynamic was set up by the preceding period. Pandemic-era fiscal stimulus and quantitative easing drove a surge of deposits into the banking system, a disproportionate share of which was uninsured and rate-sensitive. When rates then rose sharply, that money was primed to leave. At the same time, many nonbank competitors were able to pass through higher rates more quickly than traditional banks, making deposit migration easier and more attractive.

Rising rates also exposed unrealized losses in some long-duration securities portfolios, contributing to concerns about bank balance sheets and increasing pressure on deposit funding. The result was a combination of factors that accelerated deposit outflows beyond what many historical assumptions would have predicted.

Bottom Line

The literature review concludes that the 2023 banking turmoil did not reveal a fundamentally new form of depositor behavior. Instead, it exposed how changes that had been building for years—including larger uninsured deposit balances, greater depositor concentration, stronger competition for cash balances, and rapid monetary tightening—could interact to accelerate deposit outflows. At the end of the first quarter of 2023, uninsured deposits represented 41% of total deposit liabilities. At the end of the first quarter of 2026, they represented 43.2%.[1]

For bank management, the implication is clear: understanding uninsured deposit concentrations, depositor behavior, and available retention strategies is critical to effective liquidity and funding risk management.

[1] *Federal Deposit Insurance Corporation, Quarterly Banking Profile: First Quarter 2026, https://www.fdic.gov/quarterly-banking-profile/quarterly-banking-profile-first-quarter-2026.pdf.*

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