

## Macro Roundup Article

**Headline:** [The Evolution of Banking in the 21st Century: Evidence and Regulatory Implications](#)

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**Tweet:** Deposits - especially uninsured deposits that create run risk - have risen sharply, while banks with the most rapid growth in deposits have shifted assets away from lending towards longer-term MBS and Treasuries. @lauramnicolae

**Summary:** To inform the ongoing discussion of the appropriate regulatory response to [such events as] the failures of three regional banks 2023, we examine trends in the banking industry over the last twenty-five years. On the liability side of bank balance sheets, deposits—and especially uninsured deposits—have grown rapidly. On the asset side, there has been a notable shift away from the information-intensive lending traditionally associated with banks and towards longer-term securities such as MBS and long-term Treasuries. We assess the main regulatory options to reduce the risk of destabilizing bank runs—expanding deposit insurance and strengthening liquidity regulation—and argue that the industry trends we document favor the latter option. Regulators may be more comfortable tightening liquidity requirements on uninsured deposits, insofar as the substantial increase in those deposits in recent decades has not been correlated with an increase in information-intensive lending. Related: All Clear and Frankenstein's Monster and In Today's Banking Crisis, Echoes of the '80s

**Primary Topic:** Banking

**Topics:** Academic paper, Banking, Business Cycle, Database, Financial Markets, GDP, Important!, Monetary Policy, Weekly

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