



TOPICS:

IRRBB & Liquidity Risk

SOURCE:

Bank for International Settlements

BIS: Literature Review on Non-Maturity Deposit Stability - Established Factors and Recent Developments

- The paper examines whether recent banking stress - particularly the March–May 2023 turmoil - reflects **structural changes in the behaviour and stability of non-maturity deposits (NMDs)**.
- The review evaluates **recent developments** against well-established determinants of deposit stability. Historically, deposit insurance coverage, depositor discipline, market concentration, depositor sophistication and coordination and the interest rate environment have been central drivers of NMD behaviour. The literature consistently finds that higher levels of insured deposits enhance stability, while elevated shares of uninsured and concentrated deposits increase run risk. Depositor discipline may operate proactively (ex-ante risk pricing) or punitively (accelerating withdrawals during stress), with the latter contributing more directly to instability.
- The paper then assesses **structural shifts** potentially affecting NMD behaviour. **Technological innovation** - particularly mobile banking and social media - has increased the

speed of information dissemination and withdrawal execution. However, evidence suggests that faster runs may be attributable less to transaction speed itself and more to rapid information transmission and depositor coordination, especially among sophisticated, uninsured corporate depositors.

- **Industry changes** also feature prominently. Growth in uninsured deposits, intensified competition from non-bank financial institutions (NBFIs) such as money market funds, and evolving market concentration may have increased rate sensitivity and deposit mobility.
- The review concludes that while technology, competition, and regulatory evolution may have influenced recent NMD dynamics, traditional drivers - especially **deposit insurance coverage, uninsured deposit concentration, and perceptions of bank solvency** - remain primary determinants of deposit stability. Overall, the literature does not provide conclusive evidence that structural changes have fundamentally altered NMD behaviour, though it highlights areas requiring further research and supervisory attention.

