# ABSTRACT

This paper examines the problem of defining and computing optimal capital requirements for insured banks. Such requirements are optimal when they make an arbitrarily fixed deposit insurance premium actuarially fair for each bank. Optimal capital requirements for insured banks are determined via the duality between the fair insurance premium and capital-to-deposit ratio. When a bank's initial capital position is not optimal, a *capital infusion* or an *asset reshuffling* is required to restore capital to the optimal level. The determination of the optimal capital infusion, considering different *post-infusion* asset reshuffling strategies, is also discussed. Numerical examples are developed to illustrate the properties of the model.

**Keywords:** Deposit Insurance, Capital Infusion, Asset Reshuffling, Capital Requirements