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[redacted]
BLOOMINGTON, MN 55425
[redacted]

November 21, 2024

Mr. James P. Sheesley
Assistant Executive Secretary
Attention: Comments—RIN 3064-AF99
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

**RE: Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions [RIN 3064-AF99]**

Dear Mr. Sheesley:

BankIn Minnesota represents nearly two hundred community banks in Minnesota. On behalf of our members, we are writing to strongly oppose and ask for the withdrawal of the FDIC's Notice of Proposed Rulemaking concerning Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions ("the Proposal" or "the Proposed Rule"). There is no need for the Proposal as bank regulators currently possess the appropriate tools and regulatory authority to supervise any potential liquidity risks within individual banks. In fact, liquidity and related risks have been a key regulatory focus for the last two years in bank examinations across Minnesota and no regulatory agency has identified any specific issues with brokered deposits at community banks since the 2020 rule was finalized.

Additionally, the failures of First Republic Bank, Silicon Valley Bank, and Signature Bank of New York are not enough to warrant this Proposal. These banks had high risk business models, poor risk management practices, and ineffective management. The FDIC's reaction to these isolated instances should not negatively impact the nation's community banks who are nothing like the banks mentioned above.

What are the negative impacts? We see three key issues with the Proposal including:

1. Many community banks utilize third parties to provide the online and mobile banking services their customers want and need, and that the market demands. But the FDIC is proposing that these third parties will now be deemed "deposit brokers" if the third party receives a fee for deposit placement services. Receiving a fee for deposit services is a basic and fundamental condition of doing business that should not capture virtually all third-party relationships as "deposit brokers." By expanding the definition of "deposit broker," the Proposal inexplicably limits community banks' abilities to use third parties and online channels to attract depositors, compete with larger institutions, and continue to offer competitive deposit products to their customers. Simply stated, this Proposal ignores the realities of modern, digital banking, and will harm consumers by reducing access to deposit services and increasing costs.

2. Community banks use brokered deposits as one of several diverse sources of liquidity. The overwhelming majority of community banks do not have high concentrations of brokered deposits nor do they rely on brokered deposits to fund rapid growth. When managed prudently, brokered deposits are an important funding source for community banks to meet the borrowing needs of their communities. For example, brokered deposits help community banks manage seasonal agricultural lending needs, or instances when loan demand exceeds the ability to generate new core deposits. But requiring community banks to reclassify higher percentages of core deposits as brokered imposes serious costs and restrictions on community banks, including higher deposit insurance premiums, possibly lower CAMELS ratings, and additional regulatory scrutiny. More concerning, these reclassifications and restrictions on brokered deposits can operate in tandem to constrain community banks' access to liquidity when they need it most. Community banks should not be forced to reclassify core deposits as brokered – doing so may have the unintended consequences of forcing community banks to shed stable deposits to reduce brokered deposits exposure, thus reducing access to necessary and stable liquidity sources.

3. The FDIC proposes rescinding PPE applications and notices that the agency previously approved under the 2020 framework. Community banks that built business models in reliance on approved PPEs will have no choice but to disrupt, pause, or forgo those models and relationships and reapply. This is an entirely unnecessary and costly exercise. Reapplications will result in a higher volume of PPE applications that the agency must process, which will cause further delays and material disruptions to business, as community banks must draft new applications and wait for the agency's decisioning queue to clear.

In closing, we respectfully ask the FDIC to withdraw the Proposal and preserve the 2020 final rule.

Sincerely,

BankIn Minnesota