From:	John Ramage
To:	Comments
Subject:	[redacted] August 23, 2024 Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions; Comment Request (RIN 3064-AF99)
Date:	Tuesday, November 19, 2024 12:33:15 PM
Attachments:	image001.png

[redacted]

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

Dear Mr. Sheesley:

I am Executive Vice President and CAO at Troy Bank & Trust ("Bank"), a $1.54 billion community bank located in Troy, AL. I am writing to express my serious concerns regarding the FDIC's proposed rule relating to Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions (the "Proposed Rule"). If finalized as drafted, the Proposed Rule will harm community banks like ours and our customers. Therefore, I urge the FDIC to withdraw this proposal.

Troy Bank and Trust is a uniquely owned community bank founded in 1906 by Former Alabama Governor Charles Henderson. With thirteen branches and one loan production office, our locations span six different counties, most of which are in small, rural communities in southeast Alabama. Throughout our history, we have proudly served our local communities by providing personalized financial services and fostering strong relationships with our customers. Our bank also plays a critical role as a lender to small businesses and consumers, helping to drive economic growth and support the aspirations of the individuals and businesses we serve. Our commitment to the local economy and community well-being has been a cornerstone of our operations for over a century.

The core issues with the Proposed Rule lie in its overly broad redefinition of the "deposit broker" concept and the restrictions imposed on digital marketing channels—both vital for remaining competitive in today's financial market.
The proposed rule's expanded definition of "deposit broker" ignores the realities of modern banking and could unfairly classify any third-party receiving compensation for deposit-gathering support as a deposit broker. I feel that this broad definition does not reflect the FDIC's regulatory intent and could prevent the use of modest, low-risk customer referral programs, which are standard in our industry. The proposal fails to distinguish between minor referral incentives and aggressive, commission-driven tactics typically used by traditional deposit brokers. I believe the FDIC aims to regulate the latter, not the modest bonuses community banks offer to customers for referrals. Therefore, I urge the FDIC to adopt a more

refined and context-sensitive approach.
Furthermore, the FDIC's proposal does not fully appreciate the essential need for community banks to access diverse funding sources. Instead of imposing limitations, the FDIC should support community banks' ability to secure liquidity and collaborate with third parties to offer competitive and cost-effective deposit services.

Banks that choose to partner with or utilize third party relationships to access diverse sources of funding, manage costs, and maximize deposit insurance coverage or provide other services for their customers should not be penalized as accepting "brokered deposits." These deposit accounts provide low-cost, stable funding that we prudently reinvest in our local economies, and they also enhance the FDIC's objectives of promoting safe and sound banking practices. It seems the FDIC is using a broad regulatory approach in response to the large bank failures of 2023, which do not reflect the operations of community banks like ours. The practices that led to those failures are not indicative of how we conduct business and should not subject us to the same regulations.
Should this rule be adopted, its broad definition of brokered deposits would disproportionately impact community banks by increasing reporting requirements, elevating insurance assessments, and subjecting institutions to heightened regulatory scrutiny. Additionally, the stigma associated with a brokered deposit classification could weaken community trust and ultimately harm our banks.

In conclusion, I respectfully request that the FDIC withdraw the proposed rule, allowing community banks to continue leveraging third-party partnerships and digital marketing channels effectively. Thank you for the opportunity to express my thoughts and recommendations. I hope the FDIC will consider these suggestions when issuing the final rule.

Best regards,

TROY BANK & TRUST

John R. Ramage | Executive Vice President | CAO
Troy Bank & Trust | www.troybankandtrust.com
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