



BROKERED DEPOSITS



PURPOSE OF PRESENTATION

- Provide information on the Financial Institution Letter (“FIL”) (FIL-2-2015) on Brokered Deposits and Deposit Brokers, issued January 5, 2015.
- The FIL consolidates previous agency opinions, letters, and the FDIC *Study on Core Deposits and Brokered Deposits (2011)* into one living document.

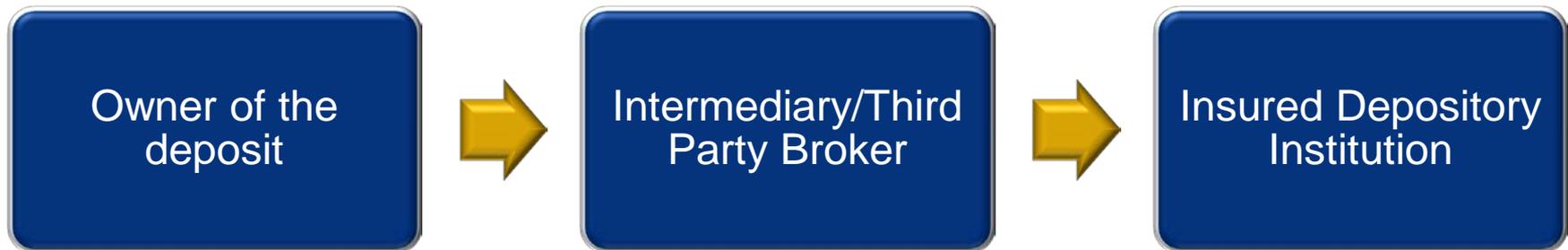


BROKERED DEPOSITS GENERALLY

- The term “deposit broker” is defined, by statute, as “any person engaged in the business of placing deposits, or facilitating the placement of deposits, of third parties with insured depository institutions or the business of placing deposits with insured depository institutions for the purpose of selling interests in those deposits to third parties.”
- If a deposit is accepted through a “deposit broker,” the deposit is a brokered deposit.
- Authority: Section 29 of FDI Act (12 U.S.C. § 1831f).



A. BROKERED DEPOSITS AND DEPOSIT BROKERS





EXCEPTIONS TO THE DEFINITION OF DEPOSIT BROKER

- IDIs (subject to brokered deposit restrictions)
- Employees of IDIs (for funds at employing IDI)
- Trust departments of IDIs
- Trustees of pension or employee benefit plan
- Pension or employee benefit plan administrators or investment advisers
- Trustees of testamentary account or irrevocable trust
- Trustees or custodians of pension or profit-sharing plan under Internal Revenue Code of 1986
- IDIs acting as intermediary or agent of certain government departments or agencies
- An agent or nominee whose primary purpose is not the placement of funds with depository institutions.



BROKERED DEPOSIT RESTRICTIONS

- Section 29 of the FDI Act provides restrictions on when an insured depository institution (IDI) may “accept, renew, or roll over any brokered deposit.”

Status of IDI	Brokered Deposits Permitted?
Well-capitalized	Yes
Adequately capitalized	No, unless FDIC grants waiver
Undercapitalized	No

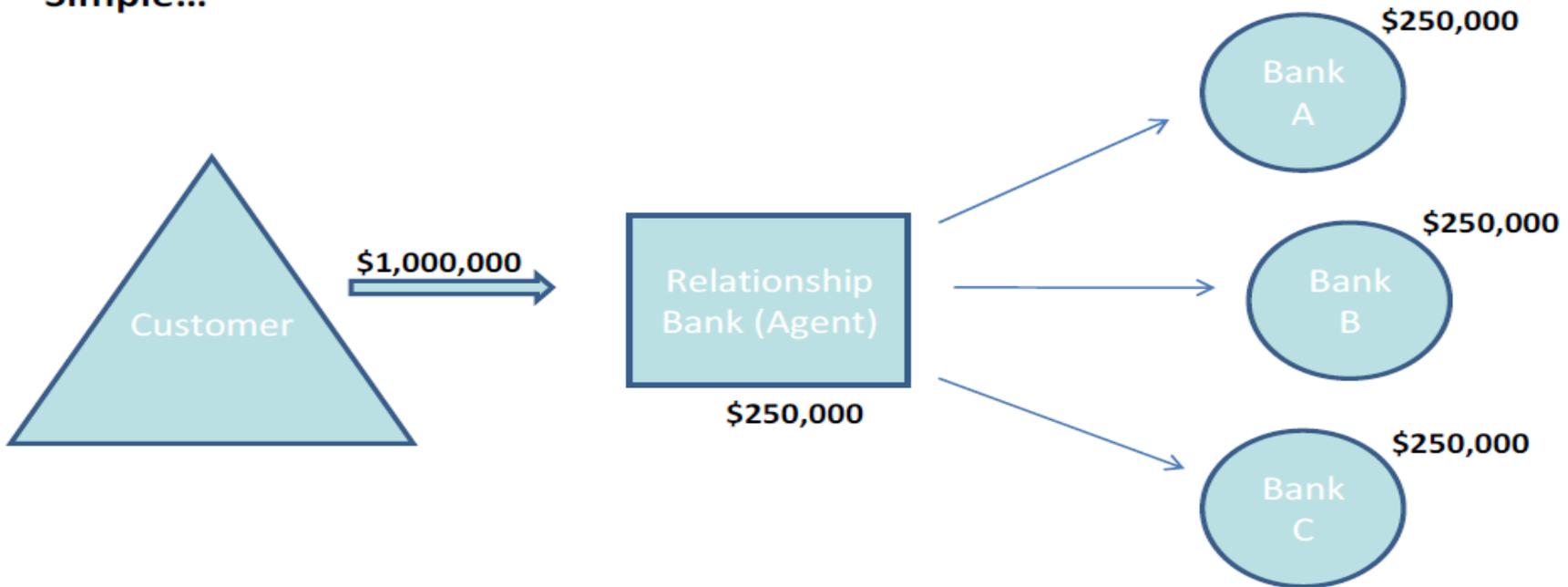


B. PLACING DEPOSITS AND FACILITATING THE PLACEMENT OF DEPOSITS

- “Placing deposits” → delivering funds to the IDI
- “Facilitating the placement of deposits” → connecting depositors with IDIs

Structure of deposit placement activities

Simple...





D. LISTING SERVICES

- Distinction between providing information about deposit accounts vs. facilitating the placement of deposits.
- Requirements
 - ◆ Only subscription fees or listing fees
 - ◆ Flat fees
 - ◆ No other services
 - ◆ No involvement in physical placement of deposits



E. EXCEPTIONS TO THE DEFINITION OF DEPOSIT BROKER

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F. ACCEPTING DEPOSITS

- Renewals and rollovers of an account qualify as acceptance of a deposit.
- “Any renewal of an account in any troubled institution and any rollover of any amount on deposit in any such account shall be treated as an acceptance of funds by such troubled institution...”
- Section 29(b) of the FDI Act (12 U.S.C. § 1831f(b)).



G. INTEREST RATE RESTRICTIONS

- A bank that is not well capitalized generally may not offer deposit rates more than 75 basis points above the “national rate.”
- Institutions should consult with their primary federal regulators.



H. APPLICATIONS FOR WAIVERS

- Evaluated on a case-by-case basis.
- Considerations
 - ◆ Safety and soundness
 - ◆ Dependence on brokered deposits
 - ◆ Position of PFR
 - ◆ BSA/AML compliance
 - ◆ Other factors



QUESTIONS

Questions?

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