Statement by FDIC Chairman Jelena McWilliams

on the

Notice of Proposed Rulemaking on Revisions to the Brokered Deposits Regulations

FDIC Board Meeting
December 12, 2019

Since I joined the agency, I have repeatedly discussed the dramatic changes in the business of banking in recent years, and the importance of modernizing our regulations to reflect such changes. This approach is equally applicable to our brokered deposits regulations.

Yesterday, I spoke at length about the FDIC's primary objectives in producing the proposal before us today.[1] Among these objectives are creating a more transparent and consistent process; minimizing risk to the Deposit Insurance Fund; ensuring consistency with the statute; and encouraging innovation in how banks offer services and products to customers.

Today, the term "brokered deposits" encompasses a diverse range of deposit placement arrangements, including traditional brokered CDs, various types of brokerage sweep accounts, certain prepaid card programs and health savings accounts, and a range of other types of deposit products that involve online or mobile third parties. When Congress enacted brokered deposits restrictions thirty years ago, most of these types of deposit placement arrangements did not exist, and today they exhibit meaningfully different characteristics from the traditional brokered deposits Congress sought to address.

This is not just an esoteric rule about back-office operations. It has a real impact on how banks deliver products and services to consumers, including the more than 20 million unbanked Americans who could have greater access to banking services.

The proposal before the Board today does not ignore the potential risks associated with different forms of funding. For example, brokered CDs, the specific products Congress targeted when it enacted brokered deposits restrictions in 1989, will remain brokered deposits under the proposal. The FDIC also plans to revisit its deposit insurance assessment regulation in light of any changes made to the brokered deposits rule to ensure banks' assessments properly reflect the risks posed to the Deposit Insurance Fund. Our supervisors will also continue to examine institutions for rapid and risky growth.

The proposed rule would establish a new, transparent framework for determining what qualifies as a brokered deposit. The framework reflects the transformative changes both in the banking industry and in how consumers interact with banks and access banking services while remaining faithful to the statute.

I am pleased to support this rule. I would like to thank the staff of the FDIC for all of their hard work on this rulemaking.

[1] Available at https://www.fdic.gov/news/news/speeches/spdec1119.html.