

FDIC  
JAN 8 2019  
OFFICE OF THE CHAIRMAN

December 20, 2018

The Honorable Jelena McWilliams  
Chairman  
Federal Deposit Insurance Corporation  
550 17th Street NW  
Washington, DC 20429

Dear Chairman McWilliams:

We appreciate the fact that the FDIC recognizes that the increasing adoption of new technology by consumers and businesses is having a material impact on deposit flows at banks (as identified in the FDIC's recent request for comments related to this issue).

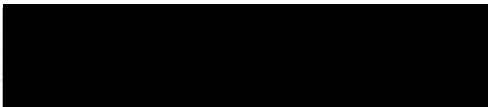
It is not uncommon for our core customers to move their deposits out of traditional bank deposit products and into non-bank financials and FinTech firms with the use of smart phone or other, easy to use, technology. This flow of deposits could be thought of as circular since these firms often aggregate these customer deposits, then deposit them back into banks at premium rates. The reason they can demand premium rates is because they can offer very large deposit amounts.

Unfortunately, this circular process changes the classification of the deposits from "core" to "brokered" which has a material impact on banks' liquidity measures and deposit economics. Regulations can be punitive for deposits classified as "brokered" and rating agencies and investors view brokered deposits negatively compared to core deposits.

It is our understanding that some of these deposits will become available through the AFX liquidity exchange in Chicago or may continue to be deposited directly into a bank. Either way it does not fundamentally change the risk profile of the funds (since they are the aggregation of granular consumer accounts);

Given this backdrop, we believe that changes to brokered deposit definitions/regulations are warranted. The market has seen a tremendous shift in the way people access their funds. In turn we believe that the way these deposits are reintegrated into the banking system should be changed as well. By changing the classification of these deposits from "brokered" to "core", the FDIC will recognize their fundamental nature while supporting the continued health of the banking industry.

Sincerely,



Andrew Arnold  
Vice President, Associate Director of Finance