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March 27, 2020

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington D.C. 20429

Re: Unsafe and Unsound Banking Practices: **Brokered Deposit Restrictions RIN 3064-AE94**

Dear Mr. Feldman,

I appreciate the opportunity to share our views on the FDIC's propose new brokered deposit rule.

I would like to begin to by introducing my institution to you. When our founders formed Shelby Savings Bank, they did so with one primary goal: to build a new kind of financial institution for the people of Shelby County. A financial institution that would always remember that our roots are here in Shelby County and that would be locally owned and operated by our neighbors and friends. We've been successful because we care for and respond to the needs of those we serve and we are committed to being a dynamic, growing, high performance bank that is the premier financial institution within the markets we serve. We are focused on listening and responding to our customers' and communities' true needs while providing the highest level of service to those we serve.

Respectfully, I am writing to share our concerns about the proposal as several provisions within it seem at odds with the goals Chairman Jelena McWilliams has pursued since being confirmed as Chairman of the FDIC, as well as with many of the public comments she has made in speeches, interviews and Congressional testimony during her tenure.

Chairman McWilliams has repeatedly talked about the transformative power of technology and how technology and partnerships with industry innovators can serve as a "great equalizer" for community banks who often lack the technology, expertise, budgets, resources and economies of scale that our nation's larger financial institutions enjoy.

Chairman McWilliams has correctly identified "**data as the new capital**" and how evolving consumer expectations can be met through digitalization, data access, open banking, machine learning, artificial intelligence, personalization and other like capabilities and consumer engagements.

It is with those perspectives that I share the following revisions that I hope the FDIC to incorporate into its final rule:

- **Narrow The Proposed “Facilitation” Definition:** Clarify and narrow the definition of “facilitating the placement of deposits” to cover only those activities that present risk to the safety and soundness of insured depository institutions or to the Deposit Insurance Fund (DIF).

Maybe I am misinterpreting the proposed language but it appears to me – absent of having to declare a large portion of my deposits to be brokered - I am prohibited from receiving or using data from external sources; restricted from engaging consultancies to help me design and optimize my deposit offerings; and can only use third parties in my deposit gathering activities for administrative purposes.

If data is the new capital, I shouldn't be restricted from receiving it or using it to attract new depositors or to improve my customer support capabilities by gaining better insights into their financial needs. Similarly, I should be able to use third parties, without restrictions in my deposit gathering activities, provided that the third party enables me to establish, nurture, retain and own a direct relationship with individual depositors.

I believe the “facilitation” definition was intended to capture entities that (a) own the depositor relationship, (b) are actively involved in the placement of their customer's deposits and (c) maintain some level of influence or control over the individual's funds even after the account is opened. Unfortunately, as currently written, the language impact a host of third parties that community banks use for a variety of deposit and customer support purposes. The language needs to be narrowed and clarified to supervise “deposit controllers” whose actions can hurt my business rather than restrict “deposit enablers” who help my business.

- **Create Two Overt Exclusions The Rule's Definitions:** A more efficient revision would be to create an overt exclusion from the deposit broker definition for all third party service providers who enable banks to establish direct relationships with individual depositors where the bank, not the third party owns and retains the depositor relationships.

Similarly, I recommend an overt exclusion from the brokered deposit definition for transaction account deposits and deposits that are associated with bone fide relationships that I establish and own with individual depositors. A bona fide relationship can be verified by the depositor's use of multiple products and/or services (i.e. direct deposit, debit cards, credit cards, online banking, etc.) from my institution.

- **Establish A Bright-Line Standard Exception To The Proposed Primary Purpose Exception Process:** At minimum, the FDIC could create bright-line standard exceptions from its proposed primary purpose exception application process for “relationship enabling” third party services providers as well as for the stable sources of funding that community banks rely on – transaction account and relationship-based account deposits.

The proposed rule has created unwelcome uncertainty for community banks at a time when we need absolute clarity regarding deposit funding so we can support the financial needs of the small businesses who operate and our neighbors who live in our communities. With the passage of the

CARES Act, community banks like ours will be providing the credit our communities need to recover. These are unprecedented times and I encourage the FDIC to make the appropriate revisions within the proposed rule so that community banks can engage third parties without reservation so that we can support our local economies and assist everyone who lives and works in our communities.

Sincerely,



Will Lucas
President
Shelby Savings Bank