GT GreenbergTraurig

Alan Slomowitz
Tel 202.533.2318
Fax 202.261.0154
slomowitza@gtlaw.com

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Department of the Treasury
Office of the Comptroller of the Currency
Federal Reserve System
Federal Deposit Insurance Corporation

RE: Proposed Agency Information Collection Activities; Comment Request; Federal Register / Vol. 75, No 189/ Thursday, September 30, 2010, Consolidated Reports of Condition and Income (FFIEC 031 and 041); OCC (OMB Number: 1557-0081); FRB (OMB Number: 7100-0036); FDIC (OMB Number: 3064-0052)

Dear Sir/Madam:

The following comments are in response to the agencies proposed Memorandum item in Schedule RC-E for non-brokered deposits obtained through deposit listing services.

The proposal of the Department of the Treasury, the Federal Reserve System and the Federal Deposit Insurance Corporation ("agencies") to monitor non-brokered deposits obtained through the use of deposit listing services is certainly a step in the right direction. However, the absence of full reporting transparency and the lack of regulation over these deposits should be of concern; as it invites risk factors that can negatively impact the Deposit Insurance Fund.

A new Memorandum item in Schedule RC-E, Deposit Liabilities should be instituted to improve the agencies' ability to monitor non-brokered deposits obtained through deposit listing services. However, the proposal should go a step further and call for the reporting of the actual amount of non-brokered deposits, not just an estimate of those amounts, acquired through the use of listing services that offer deposit tracking and electronic offer and acceptance. For these deposits, which make up a significant portion of non-brokered deposits, instituting this new line item as merely an estimate would be ineffectual and will likely lead to inaccurate data, rendering any future risk analysis useless, or at the very least vaguely accurate. Moreover these deposits don't just materialize out of thin air – subscribing banks have a service agreement with the deposit listing service that enables them to identify the source.

Although, deposit listing services may have a place among the funds acquisition marketplace just as deposit brokers do, the agencies' proposal to require insured depository institutions (IDIs) to disclose listing service deposits is long overdue. If transparency is good for banks utilizing brokered deposits, then transparency and full disclosure is also good for banks using deposit listing services that initiate and track deposit placements.

Since the FDIC issued a Final Rule in 2009 to revise insurance assessments on brokered deposits (12 CFR 327), (which excluded non-brokered deposits obtained through deposit listing services), numerous IDIs have turned away from accepting brokered deposits in favor of unregulated and opaque deposits from deposit listing services as an alternative (and less scrutinized) source for their non-core out-of-area funding. Furthermore, the Final Rule's exemption of assessments for deposits obtained through deposit listing services has paved the way for more aggressive use of non-core out-of-area deposits by less than well capitalized banks - unchecked and unregulated. This action has undermined federal rules that bar less than well capitalized institutions from accepting brokered deposits, and the intent of the Final Rule, which is to reduce the risk of imprudent asset growth at depository institutions and the loss of franchise value.

In reference to QwickRate's comments on this topic we agree that not all deposits are created equal, that not all deposits are high-cost/high-yield regardless of whether they are sourced locally or out-of-area, brokered or non-brokered. We agree that institutional investors are typically a long-term, buy-and-hold class of depositors. This type of institutional investor that utilizes QwickRate is the same kind that utilizes brokered deposits. Yet current regulation requires that only brokered deposits are to be itemized on call reports, for the primary purpose of transparency. The same should hold true for deposits obtained through listing services such as QwickRate, since these listing services automate deposit placements, offer comprehensive deposit portfolio reporting, and have become a significant funding source for IDIs with well over $2 billion transacted each month. Therefore, it stands to reason that these listing service deposits should also be accounted for on call reports, in the spirit of total transparency and full disclosure.

The agencies should understand that there are distinct and fundamental differences between a full service rate listing company like QwickRate and other free (open-to-the-public) generic rate posting websites such as BankRate.com, bank websites, or other free sites that simply list rates. Differences include, but are not limited to, automating and initiating deposit placements with an electronic offer/acceptance process, purchase confirmations, wire instructions, portfolio tracking and reporting, and even safekeeping receipts. As QwickRate illustrated so clearly in their comments, deposit listing services like themselves offer comprehensive deposit placement and tracking utilities, while most other types of rate posting sources that are open-to-the-public, generally have no such services in place. Therefore, it would be unreasonable to expect exact deposit tracking from the various open-to-the-public rate boards, but feasible and prudent for banks to report deposits obtained through listing services that provide deposit portfolio reporting.

One can argue that the reporting services offered by such deposit listing services actually make it easy for IDIs to seamlessly comply with the proposed reporting requirement; thereby dispelling any notions that the requirement would impose a difficult, unreasonable, or burdensome task. The agencies proposed line item requirement should be applauded as it promotes further transparency and disclosure of out-of-area deposits. However, given QwickRate's apparent commitment to educating and informing IDIs on regulatory issues (as exemplified by their numerous publications and webinars), it is surprising they do not welcome this proposal with open arms.

In summary, the agencies' proposal is a step in the right direction. However it would be more effective if it requires depository institutions to report the actual amount of non-brokered deposits obtained through the use of deposit listing services that offer deposit tracking and reporting.

Sincerely,

Alan Slomowitz