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May 2, 2019

Sent Via Electronic Delivery: comments@fdic.gov

Robert E. Feldman, Executive Secretary
Attn: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, D.C. 20429

Re: Brokered Deposits (RIN 3064-AE94)

Dear Ladies and Gentlemen,

On behalf of the Oregon Bankers Association (“OBA”) and our membership of Oregon’s state and nationally-chartered banks, we appreciate the opportunity to comment on the above-referenced advanced notice of proposed rulemaking regarding brokered deposits (“ANPR”). We applaud the FDIC for the ANPR and its willingness to consider modernizing its rules as it relates to brokered deposits and the national interest rate cap. We also urge the FDIC to consider the following points related to the definition of what is a “brokered” deposit.

Substantial change has occurred in the financial industry since the statutory brokered deposit restrictions were first put into place three decades ago. The ANPR correctly notes that the financial industry has witnessed considerable change with respect to business models and technology, as well as products and services. Unfortunately, the rules related to brokered deposits, and the FDIC’s interpretation of those rules, have not kept pace with these changes, necessitating the present review.

The current rules and the FDIC’s interpretations of those rules are broad in scope and coverage but narrow in potential exemptions. This framework makes it hard for banks, and community banks in particular, to take advantage of external resources to gather deposits and build new customer relationships. The current regime is a disadvantage for healthy banks to gather stable and diversified funding. It stifles their use of well-accepted technology and increases their regulatory costs. It also impedes bank innovation and limits customer access to banking options and conveniences.

Congress enacted restrictions on the acceptance of brokered deposits specifically to prevent troubled institutions from holding funds placed by third-party deposit brokers. Today, the definition of “deposit broker” has expanded well beyond congressional intent, and FDIC’s interpretations have gone even further. As a result, true relationship-based deposits are caught in the web of brokered deposit rules. The FDIC should modernize its definitions and interpretations of what is considered “brokered” and draft regulation that ends disadvantages and reflects the realities of twenty-first century banking.

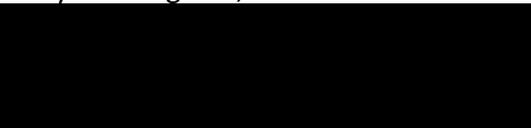
Likewise, the current national rate cap on deposit interest rates does not reflect the current state of banking. The existing FDIC methodology does not appropriately address market share nor deposit competition in local markets. Bank examiners also use the national rate cap as a proxy for higher risk deposits. This can impact both well-capitalized banks and those in weaker positions, preventing them from holding stable funding gathered at rates consistent with the markets in which they operate. The national rate cap should be a dynamic market rate that reflects local markets for banks of all sizes. It should be above the market rate for deposits and should only apply to troubled banks, not to healthy banks.

Conclusion

We strongly encourage the FDIC to modernize its definitions and interpretations of brokered deposits to encourage banks to hold diversified funds and provide more innovative and competitive services to customers. Likewise, the methodology for calculating the national rate cap needs to be updated. The cap should be above the market rate for deposits and account for local markets. Revised rules should align depository regulation with twenty-first century marketplace realities.

Thank you again for the opportunity to comment on the ANPR. If you have any questions, please feel free to contact me.

Very best regards,



Linda Navarro
President and CEO
Oregon Bankers Association & Community Banks of Oregon