Continental Bank

VIA EMAIL comments@fdic.gov

Robert E Feldman
Executive Secretary
Attention: Comments
550 17th Street NW
Washington DC 20429

Re: Unsafe and Unsound Banking Practices-Brokered Deposits
RIN 3064-AE94

Dear Mr. Feldman:

Thank you for the opportunity to respond to the Advance Notice of Proposed Rulemaking (the "ANPR") issued by the Federal Deposit Insurance Corporation ("FDIC") pursuant to a comprehensive review of the regulatory approach to brokered deposits and the interest rate caps applicable to banks that are less than well-capitalized. We especially appreciate the FDIC's willingness to review brokered deposit and interest-rate regulations because of "changes in technology, business models, the economic environment, and products since the regulations were adopted" in 1989.

Continental Bank is a small privately held FDIC-insured state-chartered non-member bank that is licensed and regulated by the state of Utah and the FDIC. The bank's current business model focuses on providing commercial equipment finance to small and medium sized businesses on a nationwide basis. We do not operate branches and do not market to retail consumers. While allowed by our charter, to date we have not offered transaction accounts to customers due to the likely limited success in attracting commercial deposits from our broad geographic customer base and the relatively high infrastructure cost and requirements.

Our bank relies heavily on brokered deposits for funding, primarily a mix of brokered MMDA deposits and CDs. Brokered deposits are less expensive, require much less infrastructure, and are more stable than many other deposits. The non-redeemable nature of our CDs enables us to reliably predict redemption and funding requirements and reduce liquidity risk.

In the case of our primary market, small and medium size businesses, we believe brokers and resulting brokered deposits provide an important financial intermediary function. Our customer base is typically a net user of credit and typically does not have long-term excess funds available for deposit. It would be difficult to rely on our customer base for funding of our loan portfolios. We also use brokers to source loans and believe our loan and our deposit brokers provide an important service via channeling excess deposits from consumers or large corporates that we use for funding small and medium sized businesses.

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Brokered deposits allow us to:

- Tailor a deposit maturity profile to match our loan maturities, we specify what maturities are needed when soliciting brokered deposits
- Control our infrastructure costs, we do not need extensive deposit gathering branches or costly in-house transaction account handling capabilities
- Manage our liquidity risk, our broker deposits are primarily non-redeemable before maturity which allows us to plan maturities and redemption funding
- Better control our AML/BSA risk in that we do not need to rely extensively on transaction accounts for funding
- Manage our technology costs. One of the primary obstacles in developing a proprietary transaction account based funding source is the rapidly changing nature of technology and the associated costs. The costs associated with implementing a reliable and up-to-date transaction account system are daunting and not supportable by our revenue base.

Without brokered deposits, we would likely need to turn to commercial funding arrangements such as bank lines and or securitizations, which we believe to be more expensive, less flexible and would likely limit our ability to provide credit to the national small and medium business sector. Essentially, brokered deposits allow us to access excess deposits from the consumer and large corporate sectors and are critical to our business model.

We have been operating since 2003 and enjoy a long-term track record of safety and soundness. Brokered deposits have been part of our history of success. These deposits have posed no inherent risk, and our experience reflects that of many others: they are among the most stable of sources.

We respectfully request that regulators focus on how insured depositories use the deposits they receive, rather than on what institutions call these deposits. In fact, history has shown that a better course would be to eliminate barriers to the use of brokered deposits by well-capitalized banks that have sound contingency plans in the event of impairment.

That type of dramatic modification is what is needed in order to allow well-capitalized banks to compete in today's market.

We are grateful that the FDIC is reviewing outdated regulations regarding brokered deposits and liquidity, and would be happy to provide additional information about our experience with these valuable financial instruments.

Sincerely,

[redacted]

Ward Coombs,
CFO Continental Bank