comenity℠

Comenity Capital Bank
12921 South Vista Station Blvd.
Draper, Utah 84020

May 7, 2019

Robert E Feldman
Executive Secretary
Attention: Comments
550 17th Street NW
Washington DC 20429 and VIA EMAIL comments@fdic.gov

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

Dear Mr. Feldman:

We sincerely appreciate the opportunity to provide commentary on brokered deposits through the ANPR process.

Comenity Capital Bank is an FDIC-insured Industrial Bank that is licensed and regulated by the State of Utah and the FDIC. Our current business model focuses on providing private label and co-branded credit products primarily to retail customers through relationships with various brand partners. We primarily acquire customers at the point-of-sale in brick and mortar stores, as well as in digital and omni-channel storefronts. Our bank was chartered in 2003 and has successfully grown to approaching $10 billion in total assets.

Our bank has no branches, so historically we have used brokered deposits as a primary source of funding. Brokered deposits have proven to be less expensive, yet more stable**,** than many other forms of deposits. In addition, we have supplemented this key funding source using the capital markets. We have successfully funded a portion of our growth using brokered deposits as we grew the asset side of our balance sheet over the last 15 years. During those years**,** the bank has remained very well capitalized, appropriately managed risk factors associated with our funding sources, and weathered the “Great Recession” without putting our bank at risk. Brokered deposits have allowed us to coordinate the deposit terms with those of our credit card receivables.

As the banking and financial services world continues to evolve, fewer and fewer deposits are acquired through traditional bank branches. Consumers in the **y**ounger demographics are no longer going to bank branches regularly and prefer to handle their financial services online or on their mobile devices. In an effort to diversify our funding sources, we recently stood up a digital retail deposit platform. This will allow us to have more control over the deposits on which we choose to focus.

Nevertheless, our contingency funding plan will continue to include the use of brokered deposits as an important source that complements other forms of funding. Even during the recent financial crisis, brokered deposits remained an integral part of our strategy. If our sources of funding and liquidity were limited by new restrictions on the use of brokered deposits, it would hinder our ability to provide credit and keep the economy moving.

Our bank has a long-term track record of safety and soundness. Brokered deposits have been part of our history of success. These brokered deposits have posed no inherent risk, and our experience is consistent with that of many other banks.

We also believe it is time to review and modernize the formula's used to calculate interest rate limits on brokered deposits to be more in line with the current market conditions.

We respectfully suggest that consumers are better protected by attention to the use of insured deposits (i.e. the underlying assets), rather than the origination source of the deposits. The latter prioritization pushes the market to a banking model that is no longer supported in the marketplace. We believe history has shown that well-capitalized banks that have sound contingency plans in the event of impairment, thrive when barriers to brokered deposits are eliminated.

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

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

Sincerely,

[redacted]

Ronald J. Ostler
Interim President and Chair of the Board