

BRANTLEY BANK & TRUST CO.

March 27, 2020

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

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

Dear Mr. Feldman,

I want to thank the FDIC for its invitation to respond to the agency's February 10, 2020 proposed rule regarding brokered deposits. I also appreciate the opportunity to share some perspectives about our institution, the communities we serve and the recommendations we respectfully submit for your consideration as you write your final rule.

Brantley Bank & Trust Company is a two branch, community bank serving the towns of Brantley and Ramer, Alabama. Despite our small size, we take great pride in offering our customers a wide range of high quality financial products and services and we are proud of the thousands of longstanding personal relationships we established with our small business owners and with our friends who live and work in the towns we support. As an independent, locally owned institution, our primary interest is in the financial welfare of our neighbors and it is with that in mind that I write to you today.

The need for stable funding so that community banks can operate in a safe and sound manner has never been more important than it is today. Our communities, our country and the world itself is being threatened by the COVID-19 pandemic. Our customers are worried about their personal health; their financial well-being and their fellow citizens like never before. We are facing an extended financial crisis that will likely extend across multiple calendar quarters. With the passage of the CARES Act, community banks will be playing a vital role in extending credit to small businesses so our neighbors can go back to work. At a time when we need absolute clarity regarding our ability to fund our business operations so we can rapidly meet the cash and credit requirements of our impacted customers, the FDIC's proposed rule introduces uncertainty as it fails to provide the bright-line standard by which the industry can identify who is and who is not a deposit broker and what is and what is not a brokered deposit.

As such, I respectfully offer the following recommendations for revisions the FDIC should consider including in its final rule:

- Grandfather All Current Advisory Opinions: The last thing we want to have happen in these turbulent times is to have to terminate relationships that we have established with industry participants based on these Advisory Opinions. Such decisions and activities would be harmful to our customers and would inhibit our ability to be responsive to our community needs. It is imperative that the FDIC keep all existing Advisory Opinions in place after its final rule is published.
- Provide An Exclusion From The Deposit Broker Definition For Outsourced Service Providers: A bank our size doesn't have the resources or the skilled personnel to build, deploy and support the modern banking products and digital delivery capabilities our business owners and residents desire. We rely on third parties to help us design, build, offer and support these financial solutions. We respectfully ask the FDIC to exclude from the definition of "deposit broker" all third-party service providers who enable us to build direct relationships – that we own – with individual depositors who work and live in our markets. As long as we, not the third party, owns the depositor relationship and the third-party has no agreement with the depositor to manage or control her/his deposits, these "relationship enabling" third parties should be excluded from the "deposit broker" definition.

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- Create An Expressed Exclusion From The Brokered Deposit” Definition For Transaction Accounts: Transaction (e.g. checking) accounts are the cornerstone of almost all of our customer relationships. Established such account relationships with individual depositors often leads to a more robust relationship being established with that individual, their business and their family. Community banking is founded on a relationship-based business model and checking accounts are a staple within our deposit funding strategies as they represent they are low cost, stable source of funds for our institution to operate upon and because they represent bona fide customer relationships that increase my bank’s franchise value. Consequently, the FDIC should exclude all transaction account deposits as well as all other deposits are that are associated with direct relationships that I have established with my depositor customers.

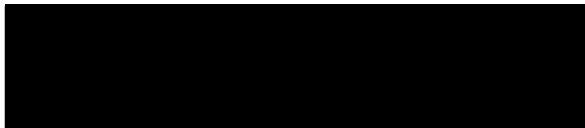
If the agency is unable to expressly exclude third-party service providers and the stable sources of funding that I have identified above from their respective rule definitions then, at minimum, the FDIC should create an expressed exception within its proposed primary purpose exception (“PPE”) process so that outsourced providers who assist us establish direct depositor relationships and who help us secure relationship-based deposits that enable us to support our communities are not required to go through the FDIC proposed PPE application and determination process.

Per the comments below that the FDIC received in response to its December 19, 2018 Advance Notice of Proposed Rulemaking (“ANPR”), you’ll see that others within the banking industry also believe that the revisions I have suggested should be incorporated into a final rule:

- Comment Letter # 70 - Teachers Insurance and Annuity Association of America TIAA: “Driven by technological change, banks now rely on third-party vendors in all aspects of their operations, including for deposit platforms and outsourced services. Few U.S. banks do not utilize FIS, Fiserve, or Jack Henry to provide and/or maintain their core deposit platform – in fact, these three service providers have over 71% of U.S. core banking market share as of Q1 2019.²⁴ These and other vendors also provide call center services, which have become more important as traditional branches decline. In a technical reading of Section 29, these third-party vendors ‘facilitate’ the taking of deposits, since deposits are placed in depository institutions through their services. While these vendors technically are in the business of facilitating the opening of banks’ deposit accounts, they rightly have never been characterized by the FDIC as deposit brokers. Categorizing these vendors as deposit brokers would be irrational and would not comport with the legislative intent of Section 29. Therefore, TIAA believes that clearly articulating a vendor exception from the definition of deposit broker would be appropriate and would fit with a core principles-based approach to determining whether deposits should be treated as brokered or core.”
- Comment Letter # 97 - Green Dot: “We also believe that the FDIC should exempt deposits involving a direct, continuing relationship between a customer and an insured depository institution (regardless of how such deposits are generated) from the definition of “brokered deposits.” We believe these deposits are inherently stable and pose little risk to the deposit insurance fund.”

I respectfully ask that you consider the recommendations I have outlined above within your final rule for as currently written, the proposed rule harms consumers and inhibits our institution’s ability to support our communities during today’s Coronavirus crisis and restricts our ability to contribute to the recovery of our local economies.

With appreciation,



Travis D. Colquett /
President