



May 12, 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 wish to thank the FDIC for the opportunity to share our thoughts about its February 10, 2020 proposed rule regarding brokered deposits.

With offices in Senatobia, Coldwater, Independence, Hernando, Southaven and Oxford, Mississippi, Sycamore Bank is a locally owned community bank that has been serving our communities for more than 120 years. Our success is based on the personalized service our experienced staff provides to our customers and our ability to provide creative financial solutions to our residents as well as the small businesses who operate within our market area. We provide a wide array of banking products and services and by being actively involved in our local schools, civic organizations and community events we ensure that "community" is the centerpiece of everything we do.

In preparing my remarks, I wanted to see if the recommendations that we would like to see implemented within the FDIC's final rule were unique or had other community banks and industry participants see the same areas for improvement that we did. I was pleased to see, as evidenced by a few quotes that I have shown below, that many other bankers share our perspectives. In fact, they provided their thoughts to the FDIC last year with the original comment period associated with the FDIC's December 19, 2018 initial Announced Notice for Proposed Rulemaking was published.

- **Comment Letter # 39 - Oregon Bankers Association:** "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."
- **Comment Letter # 71 - Nebraska Bankers Association:** "In addition, deposits involving the direct, continuing relationship between a customer and an insured depository institution should be expressly excluded from being designated as brokered deposits."
- **Comment Letter # 98 - Middlesex:** "We also note that the Liquidity Coverage Ratio ("LCR") regulations adopted by the FDIC in 2014 consider "stable retail deposits" to include retail deposits that are entirely covered by deposit insurance if either (1) the deposit is held in a "transactional account" or (2) the "depositor that holds the account has another established relationship with the FDIC-supervised institution " The established relationship could be another deposit account, loan, bill payment service, or any other service provided to the depositor, so long as the bank can demonstrate that the relationship would make the withdrawal of the deposit "highly unlikely during a liquidity stress event."

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Based upon those foundational perspectives, I respectfully ask that the FDIC incorporate the following recommendations into their final rule:

- **Alter The Facilitation Definition To Address Entities That Own The Depositor Relationship:** The proposed “facilitation” definition needs to be narrowed so that it (i) addresses third parties who contractually and actively control the movement of a depositor’s funds and (ii) does not inappropriately cover third parties who have no such agreement with a depositor and who assist, rather than restrict, a bank’s ability to establish a direct relationship with an individual depositor – a relationship that the bank owns and retains. The proposed language is overly broad and does not accomplish its objective of identifying the activities of those entities who truly are deposit brokers. As currently written, the language widens the number of industry participants who will now be considered to be deposit brokers – the large majority of which were not previously impacted by the original statute.
- **Recognize Stable Deposits And Direct Depositor Relationships That Are Established & Owned By Banks:** By focusing on the “actions of third parties” rather than on the “direct depositor relationships” that third parties help banks establish and own with individual depositors, the proposed rule fails to recognize the stable nature of the transaction account and other deposits (i.e. savings, CDs) that are associated with the bona fide relationships banks establish directly with their customers.


The FDIC should exclude transaction account deposits and other deposits associated with directly established relationships between individual depositors and their chosen bank from the definition of “brokered deposits” and the agency should exclude all third-party service providers (a) who have no contractual authority to control an individual’s deposits and (b) who help banks establish and own direct relationships with individual depositors from the “deposit broker” definition.

If the agency is unable to overtly exclude third-party service providers who help bank form direct relationships with individual depositors from the definition of “deposit brokers” then the FDIC should exempt those third parties from having to go through the proposed primary purpose exception application and determination process since it is abundantly clear that their primary purpose is to assist banks form, maintain and own, direct relationship with their depositors.

- **Maintain All Current Advisory Opinions:** Our country is going through a tumultuous time trying to deal with the Coronavirus. Our neighbors are scared – scared for their health, their jobs, their financial well-being and for their families, friends and employers. Via the CARES Act that was just signed into law, community banks like ours are going to be actively engaged in providing the credit our communities need to recover. We don’t need the partnerships that we have established with industry participants who rely on current Advisory Opinions to provide their services to us without being deposit brokers to be dismantled because the FDIC’s staff eliminates a longstanding opinion.

“Community.” It’s at the center of everything we do. And to do everything we do – especially during these difficult days – we need to be able to utilize third-party service providers, industry innovators, consultants and advisory service firms to help us with our funding strategies and to build and own deeply connected, individually gathered direct depositor relationships. We respectfully request that our recommendations be implemented within the FDIC’s final rule, for as currently constructed, the proposed rule regarding brokered deposits inappropriately restricts rather than empowers us from serving our communities and from helping our local citizens and small businesses recover from these trying times.

Sincerely



Gay G. Lishman
Executive Vice President