



April 6, 2020

Mr. Robert E. Feldman  
Executive Secretary  
Attention: Comments  
Federal Depository Insurance Corporation  
550 17<sup>th</sup> Street, N.W.  
Washington, D.C. 20429

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 my thoughts and perspectives regarding the agencies proposed new rule regarding brokered deposits.

By way of introduction, my name is Richard Earl Williams Jr. and I am the Chief Executive Officer of Classic Bank. Established in 1889, our institution proudly serve the communities of Cameron, Rockdale, Rosebud, Giddings, Bastrop and Liberty Hill in central Texas. Our Mission Statement of "Building lifelong relationships by exceeding expectations" has guided our business practices from our bank's earliest days and our success in 2020 is due to our unfailing focus on this simple principle.

As such, I must tell you that we were caught by surprise by the restrictive language we found within the FDIC's February 10, 2020 proposed new rule regarding brokered deposits. As a small bank, serving rapidly growing communities with far fewer resources than our larger competitors, I am writing to express my concerns and to ask for appropriate revisions to be made within the FDIC's final rule to the following items:

- **Proposed "Facilitation" Definition:**

- **Problem:** Perhaps I am misinterpreting the language but as I read the language it appears that if I am to avoid triggering the proposed "facilitating the placement of deposits" definition I am no longer able to: (a) receive any data / information from any third party; (b) engage industry experts to help me design and optimize my retail deposit offerings or (c) utilize any external resources to assist in our deposit gathering processes for anything other than accounting or bookkeeping services.

As stated above, I don't have the same financial budget, technological expertise or programming personnel to build every product and service I offer my communities "in-house." I have to rely on a number of third-party service providers to work with me so that I can attract, support and maintain my customer relationships.

If the FDIC restricts my ability to engage external resources to help me build and retain the direct relationships I have with my customers, then I will not be able to compete in today's already crowded and rapidly expanding financial services industry.

I have to believe that my interpretation of the FDIC's proposed language does not reflect the FDIC's true intention for if it does than a vast number of community banks will be unable to operate under the FDIC proposed rule.

- **Requested Revisions:** I have summarized what I believe will resolve the problem I have identified above:
  - Remove the first prong of the proposed "facilitation" definition. Since when did receiving information about customer and potential customers result in a deposit causing a risk to the Deposit Insurance Fund or poses a risk to the safety and soundness of my institution
  - Clarify the 3<sup>rd</sup> prong of the proposed definition to so that it addresses third parties who own the depositor relationship and dictate the terms of the deposit account on behalf of the customers they represent. As currently written the language inappropriate captures almost every bank consulting firm in the industry and I don't believe that is the FDIC's intention.
  - The 4<sup>th</sup> prong of the proposed definition is confusing so please revise the language to make it clear that banks like mine can use third parties who are enabling me to establish a direct relationship with an individual depositor who works or lives in my communities.
- **Proposed Withdrawal of Standing Advisory Opinions:**
  - **Problem:** As I mentioned earlier, the financial services industry is already crowded with an number of traditional and non-traditional participants and new entrants are surfacing every day. If we can't keep up, we won't survive and thus we have to rely on the long standing FDIC Advisory Opinions that enable us to utilize specific third parties to perform services for our institution. If these commonly accepted opinions were to be revoked it would have a devastating impact on institutions like mine, a vast array of industry participants and most importantly on the consumers and small businesses we support.
  - **Requested Revisions:** While I understand the logic of removing some old Advisory Opinions whose findings are overtly clarified and reflected in the language of the final rule, please do not eliminate any other Advisory Opinions as we and the industry participants we use to help us in our business have made substantial financial and operational investments in these relationships so we can service our customers and our communities
- **Primary Purpose Exception Process:**
  - **Problem:** Per FDIC Chairman McWilliams statement that she wanted the new brokered deposit framework to stay true to the spirit of the original statute, I understand the proposed rule leveraging this approach. That said, given the broad language of the proposed "facilitation" definition, I suspect FDIC staff will be overwhelmed with the number of applicants and I am worried that the stream of innovation that third parties bring to our industry will grind to a halt waiting on determinations that at minimum will be four months in the making. I can't wait for individual determinations to be made for every deposit offering or enhancement we want to provide to the citizens and businesses we serve.
  - **Requested Revision:** Create clear exceptions for third parties provide services directly to banks provided that the third party has no contractual relationship with any individual depositor to place, manage or control that individual's funds, bank selection or financial activities. We could make this "no contractual relationship with an individual depositor" a point of verification within our due diligence and vendor management process in selecting and managing the third parties we engage and that wouldn't add any additional compliance burden or reporting requirements for us or the FDIC.
- **Direct Depositor Relationships & Stable Sources of Funds:**
  - **Problem:** In her "Brokered Deposits in a Fintech Age" speech the day before the proposed rule was announced, FDIC Chairman McWilliams stated:

*"The proposal will clarify that various types of existing partnerships in which a consumer maintains a direct relationship with a bank generally would not result in a brokered deposit."*

We agree. We use third parties to help us build direct relationships with individual depositors....relationships that we own. Yet, as described above, the proposed rule limits our ability to engage third parties that help us build these customer relationships and garner the stable transaction account deposits that come with these relationships.

- **Requested Revision:** Create exclusions from the deposit broker definition for third parties who help insured depository institutions build direct relationships with individual depositors, provided the third party has no contractual agreement with any depositor to place, manage or control their money. In other words, as long as the bank establishes and owns the depositor relationship, any involvement of a third party should not result in the depositors funds being declared brokered.

Similarly, the FDIC should create an exclusion from the brokered deposit definition for deposits that reside in transaction and other relationship-based accounts that an individual depositor has with a bank. Such deposits would include checking, savings and individually held CDs when such accounts are fully insured, opened by an individual, held in the name of that person, utilized by that same person to receive deposits, make payments or save money and where that same person is the only one authorized to withdraw any funds. Deposits residing in such accounts are individually gathered, extremely "sticky" and thus pose no safety and soundness issues, no risk to the Deposit Insurance Fund and increase the franchise value of my institution. As such, they should be excluded from any brokered deposit designation or treatment.

Thank you for allowing me to share my perspectives. Again, I hope I have not mischaracterized or misconstrued anything within the proposed rule, but as currently written, the language harms rather than helps community banks, our customers and the communities we serve. I encourage the FDIC to consider and implement the commonsense revisions that I have documented above and I look forward to seeing a more reasoned rule emerge.

Sincerely,

  
Richard E. Williams, Jr.  
CEO