



NEWS RELEASE

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FDIC ADOPTS REPORTING RULE ON BROKERED DEPOSITS

The Board of Directors of the Federal Deposit Insurance Corporation today adopted an interim final regulation mandating monthly reports on excess brokered deposits in FDIC-insured banks. The interim rule is being published for 60 days public comment, but the first reports must be filed by August 10 for brokered deposit totals at the end of July.

The new rule requires monthly reports from banks with combined brokered deposits and fully insured deposits of financial institutions in excess of either the bank's total capital and reserves, or five percent of the bank's total deposits.

Brokered and financial institution deposits frequently are placed in institutions offering the highest rates, without regard for the safety or soundness of the institutions. When the institutions fail, the existence of large amounts of such deposits greatly increases the cost to the deposit insurance fund.

The FDIC considers the misuse of such deposits to be of sufficient danger to the federal deposit insurance system to warrant immediate action. The existence of insured brokered deposits has been extremely costly to the FDIC in handling recent bank failures and poses a growing threat in troubled institutions.

When the monthly reports show excess brokered deposits in banks exhibiting problems of safety or soundness, the FDIC will take appropriate action. Special examinations may be performed to evaluate the nature of problems in particular banks. Banks failing to comply with the reporting rule will be subject to fines prescribed by the Federal Deposit Insurance Act.

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