



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FINANCIAL REGULATORS SEEK COMMENTS ON BROKERED DEPOSITS

The Federal Deposit Insurance Corporation and the Federal Home Loan Bank Board today announced a joint advance notice of proposed rulemaking concerning brokered deposits, and requested comments on such deposit placement activities in the depository institutions industry.

The joint action of the FDIC and the Bank Board stems from the agencies' concern that a growing volume of brokered and brokered-type deposits is being placed in fully insured accounts at banks and savings and loans associations without adequate analysis by depositors of the managerial strength and financial stability of those institutions. While recognizing that deposit brokering can provide a helpful source of liquidity to institutions, the agencies stated that such deposits can allow poorly-managed institutions to continue operating beyond the time when market forces would have otherwise caused their failure. This impediment to marketplace discipline results in increased costs to the FDIC and the Federal Savings and Loan Insurance Corporation in the form of either greater insurance payments or higher assistance expenditures if the institutions are subsequently closed because of insolvency.

The FDIC and the Bank Board solicited comments on a set of 19 questions that cover the multiple issues surrounding deposit brokerage activity, including the extent to which these practices exist and how to deal with them by limiting insurance coverage of such deposits or restricting the receipt of such funds by insured institutions. The agencies intend to consider all possible avenues available for remedying existing industry practices that may have a negative effect upon depository institutions and produce increased costs to the insurance funds as well as to the public.

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In announcing its action with the Bank Board, the FDIC also noted that it currently requires all insured banks to report quarterly the amounts of brokered funds they have on deposit. The Corporation also stated its intention to take action to limit the acceptance of brokered funds by insured banks that come under FDIC enforcement actions in the future.

A copy of the agencies' advance notice of proposed rulemaking is attached.

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Distribution: Insured Banks