PRESS RELEASE

Federal Deposit Insurance Corporation

December 12, 2019

Media Contact:
Julianne Fisher Breitbeil
202-898-6895
MediaRequests@FDIC.gov

FDIC Issues Proposed Rule on Brokered Deposit Restrictions

The Federal Deposit Insurance Corporation (FDIC) today issued a notice of proposed rulemaking (NPR) to modernize its brokered deposit regulations. The proposal would, among other things, modernize a regulatory framework built for a different era to remove regulatory disincentives to offering deposit accounts to customers through different channels.

The proposal would establish a new framework for analyzing whether deposits placed through deposit placement arrangements qualify as brokered deposits. These include arrangements between insured depository institutions (IDIs) and third parties, such as financial technology companies, for a variety of business purposes, including access to deposits, as well as IDIs' increasing reliance on new technologies to engage and interact with their customers.

Under the proposed rule, the FDIC would revise the "facilitation" prong of the deposit broker definition so that it applies to any person that engages in specified activities, and provide that a wholly owned operating subsidiary be eligible for the "IDI exception" to the "deposit broker" definition under certain circumstances.

The FDIC also would amend the "primary purpose" exception to apply when the primary purpose of an agent's or nominee's business relationship with its customers is not the placement of funds with IDIs. The availability of the primary purpose exception would be clarified for third parties that place deposits through brokerage sweep accounts, under certain conditions, and to third parties whose primary purpose is enabling customers to make payments, under certain conditions. The FDIC would establish an application process for any third party that wishes to use the primary purpose exception, and would require ongoing reporting.

Under the proposal, the FDIC would continue to consider an agent's placement of brokered CDs as deposit brokering, and such deposits would continue to be reported as brokered. Brokered CDs constitute the core type of brokered deposit that prompted Congress to enact the brokered deposits restrictions thirty years ago.

Through these proposed changes, the FDIC's brokered deposit regulations will continue to promote safe and sound practices, while ensuring that the classification of a deposit as brokered appropriately reflects changes in the banking landscape since 1989, when the law on brokered deposits was first enacted.

The FDIC is seeking comments regarding the proposed approach as well as responses to specific questions and issues discussed in the notice.

Comments will be accepted for 60 days after the NPR is published in the *Federal Register*.

# # #

Attachment:
Notice of Proposed Rulemaking on Brokered Deposit Restrictions Applicable to Less Than Well Capitalized Banks
Fact Sheet
Chairman's Statement