



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, DC 20429

Division of Supervision

DEPOSIT BROKERS

FIL-16-2001
February 20, 2001

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: *Deposit Broker Notification*

The Federal Deposit Insurance Corporation (FDIC) is informing you that due to Congress's repeal of Section 29A of the Federal Deposit Insurance Act - through enactment of the Financial Regulatory Relief and Economic Efficiency Act of 2000 - *deposit brokers are no longer required to notify the FDIC that they are acting as deposit brokers or that they have stopped acting as deposit brokers.* December 27, 2000, was the effective date of the legislation (see Pub. L. No. 106-569, Title XII, Section 1203).

The repeal of Section 29A does *not* mean those persons or entities brokering deposits are no longer deposit brokers. Under the Federal Deposit Insurance Act, a "deposit broker" is defined broadly as any person engaged in the business of placing deposits, or facilitating the placement of deposits, of third parties with insured depository institutions. This definition was not changed by the recent legislation. Although some deposit brokers advertised that they were "registered" with the FDIC, the agency never endorsed, registered or examined deposit brokers. Individuals and business entities entering into a transaction with a deposit broker should take steps to ensure they fully understand the nature of the transaction before entrusting funds to the broker.

Also unchanged by the legislation are the prohibition on the acceptance of brokered deposits by weak depository institutions (see 12 U.S.C. § 1831f; 12 C.F.R. § 337.6) and the recordkeeping requirements for obtaining "pass-through" insurance coverage on brokered deposits (see 12 C.F.R. § 330.5(b)).

For more information, please contact the FDIC's Special Activities Section, 550 17th Street, NW, Room 6012, Washington, DC 20429. For your reference, all FDIC Financial Institution Letters published since January of 1995 may be found on the FDIC's Web site at www.FDIC.gov under "News, Events & FOIA."

Michael J. Zamorski
Acting Director

Distribution: FDIC-Supervised Banks (Commercial and Savings)

NOTE: Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 801 17th Street, NW, Room 100, Washington, DC 20434 (800-276-6003 or (703) 562-2200).