FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

# NEWS RELEASE

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## FDIC ANNOUNCES PROPOSED NEW LIMITS ON BROKERED DEPOSITS

The FDIC Board of Directors today asked for public comment on a proposal that would implement new statutory restrictions on the ability of many insured banks and thrifts to accept brokered deposits.

Under current rules, undercapitalized institutions are prohibited from accepting brokered deposits unless they receive a waiver from the FDIC. However, in the FDIC Improvement Act of 1991, Congress decided to further restrict the use of brokered deposits and to add certain deposit interest rate limits. The new law provides that: (1) "well capitalized" institutions can accept brokered deposits without limits; (2) "adequately capitalized" institutions can accept brokered deposits but only with a waiver from the FDIC; and (3) "undercapitalized institutions" are prohibited from accepting brokered deposits.

To implement the new law, the FDIC today proposed that:

- o Institutions with two key capital ratios (leverage capital and risk-weighted capital) between one-and-two percentage points higher than is otherwise required and are highly rated on the interagency system for safe and sound operations ("1" or "2" rated) would be considered "well capitalized." These institutions could accept brokered deposits without limit and are not subject to interest rate restrictions.
- o Institutions that fail to meet the definition of "well capitalized" but still are above the minimum levels of required capital would be considered "adequately capitalized." These institutions could accept

-more-brokered deposits subject to an FDIC waiver and interest rate restrictions. Under the FDIC proposal, brokered deposits coming from within the institution's market area would be limited to a maximum of 50 basis points above the going rate in that area. Those brokered deposits accepted outside the institution's normal market area could receive interest at no more than 50 basis points above the yields on comparable Treasury securities.

- Institutions that fail to meet either of the two capital ratios would be considered "undercapitalized" and therefore barred from accepting brokered deposits. In addition, these institutions could not offer deposit interest rates more than 50 basis points above the prevailing rate in their normal market area or any other area where they might solicit deposits.

Deposit brokers also would be required to register with the FDIC and to maintain information that the agency could obtain upon request. The proposal would not require brokers to file regular reports with the agency.

Although the FDIC is soliciting comments on all aspects of the proposal, the agency is particularly interested in comments about the best way to define a "well capitalized" institution, including the relative advantages of relying on the two different measures of capital. The FDIC is asking that comments on the proposed rule be sent to the agency within 30 days after it appears in the Federal Register. Under the new law, final regulations on brokered deposits must become effective not later than June 16, 1992. The FDIC anticipates that a final rule will be issued at least 30 days before it becomes effective.

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