



Ampersand, Inc.
N16W23217 Stone Ridge Drive Suite 150
Waukesha, Wisconsin 53188

September 18, 2024

Re: Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions (RIN 3064-AF99)

I am writing to express my strong opposition to the FDIC's proposed changes to the brokered deposit rules. As the CEO of Ampersand Inc., a registered municipal advisor regulated by both the Municipal Securities Rulemaking Board (MSRB) and the Securities and Exchange Commission (SEC), our firm upholds the highest standards of integrity, security, and transparency in our advisory services.

Role of MSRB, SEC, and Adherence to AML/KYC Standards

Ampersand Inc. operates within the regulatory framework established by the MSRB and SEC, ensuring the highest level of compliance and fiduciary responsibility in managing municipal funds. The MSRB sets rules for municipal securities dealers and advisors to ensure transparency, fairness, and investor protection, while the SEC enforces these rules and monitors compliance to ensure market stability.

In addition to these regulatory requirements, Ampersand Inc. adheres to stringent Anti-Money Laundering (AML) and Know Your Customer (KYC) standards, ensuring that all deposits we manage comply with rigorous oversight. We apply these standards to all our clients, from municipal entities to family offices, ensuring full compliance with Bank Secrecy Act (BSA) requirements. Our firm's commitment to these rules enhances the safety and security of the funds we manage, minimizing risks for the banks we partner with.

Importance of Our Services and Stable Deposits

Ampersand offers a range of vital treasury management services, including arbitrage rebate reporting, bond spend-down analysis, and day-to-day cash management. These services are crucial for municipal clients, entities involved in complex litigation, and family offices that require secure, efficient handling of their funds. The deposits managed through our services are not "hot money" as the brokered deposit label implies; instead, they represent some of the most stable, well-managed funds banks can hold.

Concerns with the Proposed Changes

The proposed changes to the brokered deposit rules are premature, especially given that the current rules, introduced in 2020, have had little time to fully demonstrate their impact. These rules went into effect during an unprecedented period marked by the COVID-19 pandemic, government stimulus measures, and a volatile interest rate environment, all of which complicated bank balance sheet



management. The proposed changes do not adequately reflect this context, nor do they account for the evolving needs of the banking industry.

Outdated Definitions and the Need for Reevaluation

The current definitions of core deposits and brokered deposits are outdated. Over the past 40 years, the traditional concept of core deposits has become less relevant in the face of technological advancement and consumer behavior shifts. Recent bank failures have shown that brokered deposits, which are often wrongly labeled as unstable, can actually be among the most reliable funding sources. The FDIC's efforts should be directed toward reevaluating these outdated classifications, rather than expanding the definition of brokered deposits, which could misclassify stable and secure funds.

Challenges for Banks in Finding Core Deposits

The rapid advancement of financial technology and the proliferation of online banking options have fundamentally changed the deposit landscape. Community banks, once reliant on local, loyal customer bases for core deposits, now struggle to compete with online banks and fintech platforms that offer consumers more choice and convenience. Without core deposits, banks are unable to lend effectively, struggle to remain profitable, and face increased pressure from shareholders. This shift also makes it challenging to retain existing core deposits, as customers are drawn to the higher returns and ease of use that online platforms offer.

In addition, the rising cost of technology and regulatory compliance adds to the burden for banks, particularly smaller institutions. Banks are required to invest heavily in systems that protect customer data and ensure cybersecurity, all while trying to navigate an increasingly complex regulatory landscape. The proposed changes to brokered deposit rules would only exacerbate these challenges, further consolidating the banking industry and pushing consumers toward large, impersonal financial institutions that do little to support small communities.

Recommendations

Considering the current economic environment and the evolving needs of the banking sector, I respectfully recommend the following:

Maintain Existing Rules: Retain the current brokered deposit rules as established in 2020 and allow them to be evaluated under stable economic conditions. This approach will enable a comprehensive assessment of their effectiveness and implications for the banking industry.

Refine Deposit Classification Definitions: Engage with industry stakeholders to undertake a thorough review and modernization of deposit classification definitions. The current classifications are outdated and do not adequately reflect the realities of modern banking and technological advancements. An



updated framework should more accurately capture the stability and characteristics of various types of deposits.

Introduce Verification for Deposit Management Firms: Consider implementing a verification system for deposit management firms like Ampersand Inc. A designation, such as a “blue check” or similar approval from the FDIC, would signify that the funds managed by these verified firms are stable and should be recognized as core deposits. This would provide banks with a reliable mechanism to identify stable deposits and support effective liquidity management.

Solicit Broader Industry Input: Adopt a more measured approach to regulatory changes by actively soliciting input from industry experts and stakeholders. This collaborative approach will ensure that any revisions to the rules or definitions are informed by a comprehensive understanding of current practices and challenges faced by financial institutions.

By adopting these recommendations, the FDIC can foster a regulatory environment that supports the stability and effectiveness of the banking sector while accommodating the rapid advancements in financial technology and evolving market conditions.

Thank you for considering my perspective on this important issue.

Sincerely,



Kelly A. Brown
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