From: Andrew Witt
To: Comments
Subject: August 23, 2024 Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions; Comment Request (RIN 3064-AF99)
Date: Wednesday, November 20, 2024 10:04:41 AM
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Mr. James P. Sheesley
Assistant Executive Secretary
Attention: Comments—RIN 3064-AF99
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Dear Mr. Sheesley:

I am the CFO of Dundee Bank ("Bank"), a $675MM community bank located in Omaha. I am writing to express my serious concerns regarding the FDIC's proposed rule relating to Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions (the "Proposed Rule"). If finalized as drafted, the Proposed Rule will harm community banks and our customers. The FDIC should withdraw this proposal.

We primarily provide loans for housing and commercial real estate in Omaha.

With our size and marketing budget, it's hard to compete with the largest banks for deposit growth. We often have to raise our rates to above wholesale prices to gather deposits. There are other challenges recently with the publicized failures and subsequent bailouts of large regional institutions. Local depositors are asking us why they should bank with us and not the banks that are deemed too big to fail. Banks that choose to partner with or utilize third party relationships to access diverse sources of funding, manage costs, and maximize deposit insurance coverage or provide other services for their customers should not be penalized as accepting "brokered deposits."

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  - Reclassifying deposits as brokered imposes serious costs and restrictions on community banks, including higher deposit insurance premiums, possibly lower CAMELS ratings, and additional regulatory scrutiny. In some cases, restrictions on brokered deposits may force community banks to forgo their relationships with third parties and terminate programs and services that benefit their customers and provide access to financial services for unbanked and underbanked consumers.
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and maximize deposit insurance protections for their customers.
    - The proposal will harm consumers by reducing access to financial services and increasing costs.
    - The Proposal ignores the realities of modern banking by recategorizing massive volumes of stable, sticky deposits as brokered.

- Third party partnerships where fees are exchanged
  - Many community banks utilize, or may wish to utilize in the future, third party partnerships, online services, and financial technologies to facilitate deposit placements, raise insured deposits, offer specialized deposit products and services to their customers, maximize deposit insurance coverage for their customers, diversify and de-risk their funding portfolio, and broaden their deposit base to meet the lending needs of their local communities
    - I am concerned the FDIC is proposing that a third party will be a “deposit broker” in instances where the third party simply receives a fee for their services related to the placement of deposits – a condition of doing business that captures virtually all third party relationships related to deposit placement, even those that don’t pose traditional brokered deposit “hot money” risks.
    - The proposal’s sweeping criteria for determining “deposit brokers” will dramatically increase both the number of entities deemed “deposit brokers,” and the volume of core deposits community banks must classify as brokered deposits, and will unintentionally increase liquidity risk for community banks.
- Funds for State and Local Governments
  - Many state laws require state and local governments to bank within the state – meaning community banks receive and manage a substantial volume of public deposits. Under the current rules, advisory firms that help administer these funds and investments are excepted from the definition of a deposit broker if they place less than 25% of customer assets under administration, for a particular business line, at more than one bank. However, the FDIC is now proposing that this exception will only be available if less than 10% of the total assets under management, in a particular business line, is placed into non-maturity accounts at one or more IDIs.
    - I am concerned the proposal’s changes to the 25% test are a significant change that will negatively impact community banks that manage public funds. These deposits are an important, and stable source of funding for community banks that should not be considered brokered.
    - The proposed 10% test will result in many community banks having to report higher volumes of brokered deposits, despite the fact these funds do not pose “hot money risk,” which will negatively impact bank liquidity.

Sincerely,

Andrew Witt
Chief Financial Officer
Omaha, NE

https://www.dundeebank.com/support-local