

*Submitted electronically*

November 21, 2024

James P. Sheesley, Assistant Executive Secretary  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429

**Re: RIN 3064-AF99, “Unsafe and Unsound Banking Practices: Brokered Deposit Restrictions”**

Dear Mr. Sheesley,

LPL Financial LLC<sup>1</sup> (“LPL”) appreciates the opportunity to provide comments to the Federal Deposit Insurance Corporation (“FDIC”) on the proposed rulemaking “Unsafe and Unsound Banking Practices: Brokered Deposit Restrictions” (the “proposal”). We are writing to share our concerns with the proposal and the rulemaking process, and to urge the FDIC to carefully consider the comments from all impacted parties.

Broker-dealers, including LPL, commonly make available to retail investors programs referred to as “deposit cash sweep programs,” pursuant to which uninvested cash in investment accounts is “swept” to interest-bearing deposit accounts maintained at insured depository institutions (“IDIs”). Deposit cash sweep programs function as part of a broader cash management offering in the wealth management space in order to provide for cash safekeeping and short-term liquidity needs of investors, while also providing a financial benefit to those investors through interest payments on those deposits.

To facilitate deposit cash sweep programs, broker-dealers enter contractual arrangements with IDIs (some of which require minimum deposit thresholds for years) that allow for availability of pass-through FDIC insurance to these retail investors’ cash deposits (where eligibility criteria are met) and set interest rates to be paid by the IDIs for such deposits. The deposits placed by broker-dealers like LPL are stable and predictable deposits, with some arrangements even requiring minimum deposit balances for years, which clearly has benefits to IDIs. This stability was supported by the FDIC study performed prior to adoption of the 2020 rule on brokered deposits (“2020 Rule”). After completion of that study, and an extensive rulemaking process, including stakeholder outreach, the 2020 Rule was adopted, resulting in a thoughtful rule that modernized the regulatory structure and, in our view, more accurately reflected the reduced risk of deposits placed with IDIs by broker-dealers with sweep programs, like LPL.

The proposal, which does not present any data or updated studies to support the need for such a material deviation from the 2020 Rule, is unnecessary and has the potential to create uncertainty for retail investors and broker-dealers. By making core deposit treatment more restrictive, the proposal increases the chance that broker-dealers with stable deposits will struggle to find IDIs to accept investor cash sweep deposits in tight liquidity market conditions, such as those experienced in 2021 and 2022. The lack of deposit availability

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<sup>1</sup> LPL is a leading retail investment advisory firm, independent broker-dealer and registered investment adviser (“RIA”) custodian operating in all 50 states. We are steadfast in our belief that Americans deserve access to personalized guidance from a financial professional. LPL serves as a trusted partner to more than 28,000 financial professionals and the wealth management practices at approximately 1,200 financial institutions, servicing and custodizing approximately \$1.7 trillion in brokerage and advisory assets on behalf of approximately 6 million Americans.



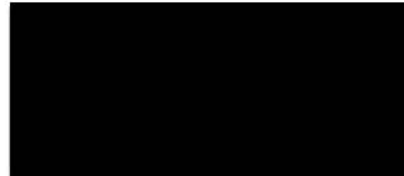
during that time created instability for broker-dealers and their retail investors in a time already fraught with uncertainty.

We believe the FDIC should retain all elements of the 2020 Rule, including without limitation, the existing 25% test, the existing Primary Purpose Exemption ("PPE") notice and application process. These comments are incorporated in the comment letter filed by the Securities Industry and Financial Markets Association.<sup>2</sup>

If the FDIC decides to move forward with adopting the proposal, we recommend a minimum two-year transition period for adoption that allows for IDIs to apply for PPE exemptions for broker-dealers in order to ensure that brokered deposits are properly reported and minimize confusion in the midst of significant change.

LPL appreciates the FDIC's consideration of these comments and willingness to discuss industry concerns. Please contact Hillary Russell at [REDACTED] if you have any questions or wish to discuss this letter further.

Sincerely,



Brett Goodman  
Executive Vice President  
Corporate Development, Treasury and Investor  
Relations

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<sup>2</sup> See letter to Mr. Sheesley from Guowei Zhang on behalf of SIFMA dated November 21, 2024.