



November 21, 2024

James P. Sheesley
Assistant Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
Attention: Comments - RIN 3064-AF-99

Dear Mr. Sheesley:

PMA Asset Management, LLC and Public Trust Advisors, LLC (recently combined and together, the “Firm”) (are pleased to submit this letter to the Federal Deposit Insurance Corporation (“FDIC”) in response to its request for comments on proposed revisions to the brokered deposit regulations (the “Proposal”). We appreciate the opportunity to provide our views on this important issue.

The Firm is one of the largest investment advisors providing investment advice to state and local governmental units (“Local Governments”) and Local Government Investment Pools (“LGIPs”) in connection with the investment of tax revenues and other sources of income. LGIPs are investment vehicles authorized by the states to permit Local Governments to pool their public funds in order to benefit from the efficiencies that result from participating in a larger investment vehicle that is professionally advised.

State laws typically require Local Governments and LGIPs to deposit public funds in banks within the state. As a result, Local Government and LGIP deposits of public funds are a significant source of deposit funding for community banks.

The Firm qualifies for a primary purpose exception (“PPE”) for its deposit activities under the FDIC’s current brokered deposit rules and our banking partners rely on the exception when accepting deposits from the Firm as advisor. Our PPE is important to the banks and our Local Government partners and material changes to the current regulations will impact the deposit balances at many community banks.

As with many other commenters, the Firm believes that the Proposal violates the Administrative Procedure Act (“APA”) because, *inter alia*, the FDIC has failed to provide an adequate rationale to support making significant changes to a regulation that was substantially revised less than four years ago. Importantly, we believe the FDIC has grossly underestimated the cost to the banking industry of preparing and filing PPE applications as would be required if the Proposal is adopted as written. Under the current regulations, the third party that is seeking the PPE in connection with its deposit activities prepares and files a notice with the FDIC. If the

Proposal is adopted, each bank receiving deposits from one or more persons eligible for the PPE must make a filing with the FDIC for each eligible person. In the case of the Firm, this change will increase the filings from one to nearly 80, as well as placing the burden on the banks to monitor the Firm's continuing eligibility and file quarterly reports.

In addition to dramatically increasing the number of applications to be processed by the FDIC, lowering the PPE ceiling from 25% to 10% will limit the amount of deposits that the Firm can direct to community banks or, possibly, preclude the Firm from qualifying for a PPE altogether.

Under its PPE the Firm currently places, or facilitates the placement of nearly \$27 billion in deposits, which is a fraction of the public funds deposited in community banks through third-party advisors. If these deposits become "brokered", community banks will likely decline the deposits or offer lower interest rates on the deposits. In either case, Local Governments and LGIPs will be forced to move funds from banks into alternative investments permissible for Local Governments under state law.

Public funds, whether deposited with a bank by a Local Government or an LGIP, do not present the risks that the brokered deposit regulations are intended to address. Public funds are an essential "core" deposit of community banks. Any action by the FDIC that either discourages banks from accepting public funds, or increases the costs to the banks of accepting such funds, runs counter to the historic role of such funds in their communities and only further undermines the health of community banks.

While it is the Firm's strong preference that the FDIC withdraw the Proposal, if it decides to pursue revisions to the brokered deposit regulations in a manner that complies with the APA, we urge the FDIC to include a blanket exception for public funds placed, or facilitated by, bona fide advisors. This will remove any question about the status of deposits from Local Governments and LGIPs and permit community banks to receive these deposits without unnecessary costs or regulatory stigma.

Very truly yours,

A large black rectangular redaction box covers the signature area. Above the box, there is a handwritten signature in blue ink that appears to be "D. J. Lutter".

David J Lutter