

From: [BOVA, VICTORIA](#)
To: [Comments](#)
Subject: ██████████ August 23, 2024 Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions; Comment Request (RIN 3064-AF99)
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Attachments: [image001.png](#)
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November 15, 2024

Via Electronic Submission

Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429
Attention: James P. Sheesley, Assistant Executive Secretary
RIN 3064-AF99

Re: Notice of Proposed Rulemaking, Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions; Request for expansion of the primary purpose exception, retention of the exclusive deposit placement arrangement exception, and expansion of the IDI exception.

Ladies and Gentlemen:

Webster Bank, National Association (“Webster” or the “Bank”) is submitting this comment letter in response to the Federal Deposit Insurance Corporation’s (the “FDIC’s”) notice of proposed rulemaking and request for comment (the “Proposed Rule”) to revise its regulation governing brokered deposits. The Proposed Rule presents a dramatic departure from the current regulation governing brokered deposits and it would unnecessarily increase the regulatory and financial burden on Webster with no identifiable value to its customers or to the banking system at large.

Webster respectfully encourages the FDIC to withdraw the Proposed Rule in its entirety or at least retain the exclusive deposit placement arrangement exception in its current form. If the FDIC will not do so, we request that the FDIC either: (1) incorporate into the insured depository institution (“IDI”) exception instances where a wholly owned subsidiary has an exclusive deposit placement arrangement with its parent IDI, or (2) add professional administrators to the list of designated business exceptions that meet the primary purpose exception under Proposed 12 C.F.R. § 337.6 (a)(5)(iv)(I)(1).

Founded in 1935, Webster is a top performing mid-size commercial bank with headquarters in Stamford, Connecticut, and a branch footprint that spans the Northeast from the New York City metropolitan area to Massachusetts. With more than \$77 billion in assets and \$60 billion in deposits, we offer digital and traditional service delivery through our three differentiated lines of business, including Commercial Banking, Consumer Banking and Healthcare Financial Services. Webster is one of the country's largest providers of health savings accounts.

In January 2024, in a deliberate effort to diversify its funding sources and expand its deposit base, Webster acquired Ametros Financial Corp (“Ametros”), a leading professional administrator of medical funds from insurance claim settlements, and a strong source of stable deposits for Webster. Ametros is a wholly owned subsidiary of Webster, and in connection with Ametros’ professional administration of claims, it exclusively places deposits (customer settlement funds) with Webster.

- ***The FDIC should incorporate into the insured depository institution (“IDI”) exception instances where a wholly owned subsidiary has an exclusive deposit placement arrangement with its parent IDI.***

- If the FDIC will not retain the exclusive deposit placement exception in its entirety, then it should at least retain its sound reasoning from 2020 and broaden the IDI exception. In the 2020 brokered deposits rule proposal, the FDIC proposed expanding the IDI exception to permit wholly-owned subsidiaries that place deposits exclusively with the parent IDI and meet certain other criteria to be eligible for the exception, but the final 2020 rule did not adopt the proposed changes to the IDI exception only because they were unnecessary in light of the final deposit broker definition not including any third party that has an exclusive deposit placement arrangement with one IDI. Therefore, if the exclusive deposit placement arrangement exception were to be eliminated, the IDI exception should be expanded as it was initially contemplated since there is little practical difference between deposits placed at an IDI by a division of the IDI versus deposits placed by a wholly-owned subsidiary of the IDI in cases where the IDI has the ability to control the management and operations of the subsidiary, the IDI is required to consolidate its financial statements with those of the subsidiary under GAAP, and the subsidiary engages in only activities that are permissible for the IDI.

Webster’s wholly owned subsidiary, Ametros, is a professional administrator of (largely) workers compensation medical claims for individuals who have received a lump sum settlement following a sustained injury. In connection with administering these settlements, Ametros establishes an omnibus bank account at Webster with individual virtual sub-accounts for the benefit of each underlying Ametros customer (“Account(s)”) for the injured individual’s future medical care, and receives, processes, and pays bills on behalf of the injured individual from this Account according to specific state workers’ compensation fee schedules. Webster, through its wholly owned and controlled subsidiary has a direct and continuing relationship with the deposit customers. Furthermore, the deposits included in the Ametros Accounts placed at Webster for its customers are FDIC insured up to applicable limits and are as “sticky” as every other deposit account opened for a customer by Webster itself. The Proposed Rule’s artificial delineation between Webster’s own actions and the actions of Webster’s wholly owned and controlled subsidiaries would have the nonsensical result of turning stable, “sticky” deposits from customers that Webster and Ametros will have a continuous relationship with even beyond the placement of the deposit account into “hot

money” brokered deposits. To avoid such an outcome, Webster would need to consider merging Ametros into Webster to take advantage of the exception for an IDI to place funds with itself. A merger, however, would be a costly and unnecessary transaction that may trigger an application under the Bank Merger Act and may complicate the preparation of Webster’s resolution plans.

The FDIC is clear that the Proposed Rule is aimed at addressing risks from the proliferation of bank-fintech relationships, but eliminating the exclusive deposit placement arrangement for wholly owned subsidiaries would have the unintended consequence of increasing risk because the fintech arrangements would continue but there would be no incentive for them to be bank-owned, which has shown to result in stability over time. Deposits stemming from wholly owned subsidiaries produce none of the attendant risks commonly associated with brokered deposits originating from third party fintech relationships.

Add Professional Medical Claims Administrators to the list of designated business exceptions that meet the primary purpose exception.

In general terms, a professional medical claims administrator (“MCA”) is an independent party that helps individuals manage their medical claims after receiving a lump sum settlement related to a sustained injury. MCAs establish a bank account with an IDI for an injured individual’s future medical care, receives bills, processes and pays them on behalf of the injured individual in accordance with any applicable specific state workers’ compensation fee schedules. In the case of Medicare set-aside accounts, an MCA handles all required annual reporting to the Centers for Medicare and Medicaid Services to preserve member eligibility for Medicare benefits.

The primary purpose of an MCA’s business relationship with its customers is not the placement of funds with depository institutions. Rather, the substantial purpose of placing the deposits at an IDI is to administer the medical claims settlement funds in a cost-effective manner and in line with regulations and the terms of the settlement agreement. The purpose of placing deposits through an MCA is analogous to placing deposits to pay for or to reimburse qualified medical expenses under Section 223 of the Internal Revenue Code (Health Savings Accounts or “HSAs”), which is a designated business exception under 12 C.F.R. § 337.6(a)(5)(v)(I)(x). Administering insurance claims settlement funds in accord with settlement terms protects and benefits customers in a very similar way that providing compliance with a tax-advantaged account, such as HSAs, does.

Thousands of Americans are using professional administrators to maximize the value of their medical claim settlements. It is an important and growing part of how individuals manage their healthcare finances. Based on the foregoing, Webster requests that the list of designated business exceptions that meet the primary purpose exception under 12 C.F.R. § 337.6 (a)(5)(iv)(I)(1) in the Proposed Rule include:

“The agent or nominee places, or assists in placing, customer funds into deposit accounts for the primary purpose of paying for or reimbursing authorized medical expenses pursuant to a valid settlement agreement.”

Webster does not believe that Congress or the FDIC intends for deposits involving a direct, continuing relationship between a customer and a well-capitalized IDI to be classified as brokered. Webster strongly urges the FDIC to consider our suggested changes to the Proposed Rule. Thank you for your review of this request. If you have any questions, please contact the undersigned.

Sincerely,

John Ciulla

Chairman & CEO, Webster Bank

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