

From: [Carl Sjulín](#)
To: [Comments](#)
Subject: [EXTERNAL MESSAGE] August 23, 2024 Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions; Comment Request (RIN 3064-AF99)
Date: Wednesday, November 13, 2024 11:13:40 AM

November 13, 2024

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 President of West Gate Bank (“Bank”), a \$1.3B community bank located in Lincoln, Nebraska. 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.

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.”

The FDIC is Proposing to Limit Community Bank Funding Sources.

- **Brokered Deposits Restrictions Impose Unnecessary Costs on Community Banks and Consumers**
 - 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.

- I am concerned the FDIC's proposal overlooks the need for community banks to have access to diverse funding sources.
- The FDIC should protect, not limit, community banks' abilities to access liquidity and partner with third parties to offer cost effective and competitive deposit services to their customers.
- I am concerned the FDIC's proposal creates an overly complicated and confusing framework for brokered deposits restrictions.
- The proposed framework could harm community banks' abilities to manage liquidity 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 or community banks.

- **Funds for State and Local Government**

- 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.

Rescinding Approved PPE Applications and Forcing Community Banks to Reapply for PPE is Both Extreme and Unnecessary.

- **Rescinding FDIC approved PPE applications and notices and requiring community banks to reapply for PPE is an overly punitive and costly exercise.**

- Rescinding PPE applications and notices that the FDIC previously granted to third parties and/or partner IDIs under the 2020 rules will materially disrupt, and in some cases, effectively cease partnerships and arrangements the FDIC now considers “risky,” without the FDIC carrying its burden of identifying specific problems at specific institutions, and if necessary, taking enforcement actions against, specific banks and specific third parties.
- I am deeply concerned by the the FDIC’s proposal to rescind all approved PPE applications and notices. This is a punitive approach that is designed to target certain relationship models but that captures every approved PPE regardless of model or demonstrated risk.

- If the FDIC believes a specific bank and its third party to pose unnecessary risks, it should follow its supervisory processes with respect that single institution and its third party rather than rewrite the brokered deposit rules for the entire industry.
- Requiring IDIs to reapply for PPEs that the FDIC approved only a few years ago is an unnecessarily burdensome and costly exercise for community banks that will also increase the volume of PPE applications and notices the agency must process.
- The FDIC should not force community banks to reapply for PPE and incur operational costs to reassess on-balance/off-balance sheet strategies and engage outside counsel to reassess partnerships, submit new applications, amend existing agreements and draft new contracts.

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