

November 11, 2016

The Honorable Mark Warner  
U.S. Senate  
Washington, D.C. 20510

The Honorable Jerry Moran  
U.S. Senate  
Washington, D.C. 20510

Dear Senators Warner and Moran:

On behalf of the members of the American Bankers Association (ABA), I am writing to express our support for S. 3373. This bipartisan measure, similar to legislation (H.R. 4116) introduced in the House of Representatives, would amend the Federal Deposit Insurance Act (FDIA) to ensure that the reciprocal deposits of an insured depository institution are not considered to be funds obtained by or through a deposit broker, and for other purposes. This legislation is a step in the right direction toward modernizing the FDIA to reflect current banking structure and deposit gathering practices.

The FDIA (Section 29) sets restrictions on the acceptance of brokered deposits and on certain deposit interest rates. Since the Act was passed – over 25 years ago – both technology and the structure of banking organizations have changed significantly. Today, banks work together with their affiliates to offer a variety of services that meet their customers' needs. The advent of the internet and smart phones, among other things, has also dramatically changed the way in which banks interact with their customers.

Regulatory interpretations of Section 29 rely on an outdated 1990's view of banking and technology. As a result, the classification of a deposit as brokered has expanded significantly to include deposits that lay outside what was originally intended. This outdated definition of brokered deposits has an adverse impact on banks causing implications for other regulatory requirements such as the cost of deposit insurance and liquidity standards.

ABA supports S. 3373 and appreciates your efforts to update Section 29 of FDIA to reflect more modern technology-driven banking practices.

Sincerely,



James C. Ballentine

cc: Members of the Senate Banking, Housing and Urban Affairs Committee