

September 12, 2018

The Honorable Scott Tipton
218 Cannon House Office Building
Washington, D.C. 20515

Dear Representative Tipton:

On behalf of the members of the American Bankers Association (ABA), we write to express our support for your legislation, H.R. 6158, the Brokered Deposit Affiliate-Subsidiary Modernization Act of 2018. This bipartisan legislation, cosponsored by Financial Institutions and Consumer Credit Subcommittee Chairman Lacy Clay and Representative Gregory Meeks, would exempt affiliates and subsidiaries of insured depositories and employees from the definition of deposit broker under Section 29 of the Federal Deposit Insurance Act (FDIA).

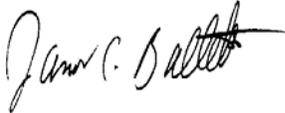
We appreciate this step toward Section 29 modernization. This legislation begins what we hope will be a thorough review of what is considered a brokered deposit. Since Section 29 was enacted in the early 1990's, the Federal Deposit Insurance Corporation (FDIC) has continually applied an ever broader interpretation of what deposits are "brokered," unnecessarily subjecting a broad swath of deposits to supervisory stigma, limits, and additional regulatory costs, even when held by well-capitalized banks. This, in turn, limits bank access to stable deposits.

Section 29, which intends to isolate and limit the holdings of certain deposits at institutions with weakened capital positions, has not been substantially updated in almost 30 years. Since it was enacted, significant technological innovations have taken place and, as a result of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 and the Gramm-Leach-Bliley Act of 1999, there is a greater diversity of commercial bank affiliation. The statutory framework/FDIC's view on brokered deposits has not kept up with these developments, and by extension the way banks gather deposits.

The FDIC maintains an overly broad classification of what deposits are "brokered," and this has significant consequences for financial institutions. Banks of all sizes may be required to pay additional deposit insurance assessments for holding brokered deposits beyond a certain threshold, and may be subject to supervisory limitations regarding the amount of brokered deposits the institution can accept, regardless of its capital position.

We thank you for introducing H.R. 6158 and advancing the important discussion around brokered deposits. We urge the House Financial Services Committee to approve this bipartisan legislation and move it to the House floor for full consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "James C. Ballentine". The signature is written in a cursive style with a long horizontal stroke at the end.

James C. Ballentine

cc: Members of the House Committee on Financial Services