October 4, 2024

James P. Sheesley, Assistant Executive Secretary
Attention: Comments – RIN 3064-ZA42
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Re: *Request for Information on Deposits*

Dear Sir or Madam,

The Conference of State Bank Supervisors[1] ("CSBS") provides the following comments on the Federal Deposit Insurance Corporation's ("FDIC") request for information ("RFI") on deposits.[2] The FDIC seeks information on different types of deposit data to better understand the characteristics that may affect deposit stability and franchise value, as well as information to help ascertain how different deposit types behave, particularly during periods of economic or financial stress. The RFI requests comments on whether data on such characteristics should be collected at greater levels of detail, granularity, or more frequently. Feedback from this RFI will inform analysis on a wide range of critical FDIC responsibilities, including in areas such as supervision, regulation, deposit insurance coverage and pricing, receivership purposes, interest rate risk, liquidity monitoring, and potential options for deposit insurance reform.[3]

Comments on the RFI are organized as follows:

- State regulators recognize the importance of the RFI and recommend the FDIC engage in additional outreach to achieve its ends.
- The FDIC should provide the industry with additional time to respond to the RFI.
- The FDIC should rescind its brokered deposits rulemaking[4] and only propose changes if supported by data received from the RFI.[5]

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[1] CSBS is the nationwide organization of state banking and financial regulators from all 50 states, the District of Columbia, and the U.S. territories.
[2] FDIC, Request for Information, *Request for Information on Deposits*, 89 Fed. Reg. 63946 (Aug. 6, 2024).
[3] Deposit data will "inform analysis of the benefits and costs associated with additional deposit insurance coverage for certain types of deposits." However, the RFI recognizes that the proposed approaches outlined in the FDIC's *Options for Deposit Insurance Reform* (May 1, 2023) require an act of Congress. *Id*. at 63948.
[4] FDIC, Notice of Proposed Rulemaking (NPR), *Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions*, 89 Fed. Reg. 68244 (Aug. 23, 2024). The FDIC Board voted on and issued both this RFI and its brokered deposits NPR at the same meeting. *See* FDIC Board Meeting (July 30, 2024).
[5] Feedback received from the RFI would also help inform the analysis of proposed changes and costs associated with the FDIC's custodial account rulemaking. FDIC, NPR, *Recordkeeping for Custodial Accounts*, 89 Fed. Reg. 80135 (Oct. 2, 2024).

CSBS

I. State regulators recognize the importance of the RFI and recommend the FDIC engage in additional outreach to achieve its ends.

The deposits landscape has undergone substantial changes since the FDIC conducted and published a comprehensive study on core and brokered deposits in 2011.[6] Depositor behavior, deposit sourcing, and competition for deposits have all been significantly impacted by technological innovations, evolving business models, regulatory changes, and an array of new third-party vendors and partnerships.

As part of that 2011 study, the FDIC solicited public comment through the *Federal Register* and also conducted extensive public outreach through an organized roundtable discussion with various stakeholders, the FDIC's Advisory Committee on Community Banking, and 16 separate meetings with banks, trade groups, and other interested parties. The FDIC also reviewed over 20 Material Loss Reviews and Semiannual Reports to Congress from the federal banking agencies and conducted a literature review and statistical analysis of core and brokered deposits.

State regulators recommend that the FDIC engage in a similarly robust outreach and consultation process to better understand the current deposit landscape. The FDIC should utilize the information collected from this RFI and additional outreach to update or issue a new comprehensive study on deposits. This study should assess the characteristics of major deposit account types (*e.g.,* brokered deposits, public deposits, commercial operational accounts, etc.); the methods by which banks source deposits; and deposit competition among banks and across other financial services providers.

The FDIC should also use this as an opportunity to review and update its Summary of Deposits Survey ("SOD") methodology. At a minimum, the FDIC should reconsider its reliance on this flawed metric to measure market concentration, particularly as there are concerns about the accuracy of the resulting geographic data due to banks using different methods for assigning deposits to branches.[7]

II. The FDIC should provide the industry with additional time to respond to the RFI.

CSBS requests that the FDIC extend the October 7 comment deadline by at least an additional 60 days to provide banks adequate time to furnish meaningful responses to the RFI. The FDIC has requested a wide range of technical information on various types of deposits data that may not be reported or currently tracked, by either banks themselves or their core service providers.[8] The FDIC should also engage in additional outreach during the extended comment period.

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[6] FDIC, *Study on Core Deposits and Brokered Deposits* (July 8, 2011). Vice Chairman Hill recently recommended conducting a new study on deposits similar to the 2011 study. *Remarks by Vice Chairman Travis Hill at the American Enterprise Institute "Reflections on Bank Regulatory and Resolution Issues"* (July 24, 2024).

[7] "While SOD data is informative, it has some limitations due to the varying methods used by banks for attributing deposits to bank offices." *Supra* note 2, at 63952. State regulators agree, and note it is all the more troubling that the FDIC recently stated that it "will use the most current [SOD] data to confirm the nationwide deposit share of the resulting IDI" when conducting the competitive effects review of a bank merger application. *See* FDIC, *Final Statement of Policy on Bank Merger Transactions*, 89 Fed. Reg. 79125 (Sept. 27, 2024).

[8] For example, only banks with $1 billion or more in assets are required to report an estimated number of uninsured deposits. *See* FFIEC, Instructions for Preparation of Consolidated Reports of Condition and Income - FFIEC 031 and 041 (March 2023).

Most importantly, because the requested data may be used to inform other critical purposes, such as Deposit Insurance Fund assessments, deposit account reporting requirements, or liquidity monitoring, it is essential that the data set be comprehensive, detailed, and representative of banks of all sizes. Community banks in particular will need more than 60 days to accurately compile and submit the requested information.

III. The FDIC should rescind its brokered deposits rulemaking and only propose changes if supported by data received from the RFI.

The FDIC simultaneously issued an NPR that would substantially revise the regulatory treatment of brokered deposits, which would significantly impact banks, their affiliates, third party partners, and more. However, that rulemaking provides little justification or supporting data for its proposed changes. State regulators urge the FDIC to conclude this RFI, rescind the brokered deposits rulemaking, and assess the data and feedback it receives *before* proposing any changes to its brokered deposits regulation.

Conclusion

State regulators support the FDIC's efforts to evaluate the behavior of different types of deposits and how these characteristics affect deposit stability and franchise value. The FDIC should issue an updated and comprehensive study on the deposits landscape based on the information it receives. At a minimum, the FDIC should provide the banking industry with at least 60 additional days to submit the deposits data requested in the RFI. Importantly, the FDIC should conclude the RFI and assess the feedback it receives *prior* to making any changes to its brokered deposits regulations.

Sincerely,

/s/

Karen K. Lawson
Executive Vice President, Policy & Supervision