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**To:** Comments

**Subject:** February 6, 2019 - Unsafe and Unsound Banking Practices: Brokered Deposits and Interest Rate Restrictions; Comment Request (RIN 3064-AE94)

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Thanks for your interest to evaluate the FDIC's regulatory posture to brokered funding. Over the course of my career, I've seen bank regulators take an increasingly jaundiced view of institutions that utilize brokered deposits. In my experience, both the FDIC and OCC have come to adopt the bifurcated opinion that "core is good, brokered is bad". Brokered or "institutional" deposits are best viewed as an additional source of funding and liquidity available to balance sheet managers—on a par with FHLB advances, correspondent bank lines, repurchase agreements and aggregated provider/sources such as Promontory's ICS program, StoneCastle, Reich & Tang and others. All of these funding sources keep careful tabs on participating institutions, and manage their exposures and rates of return accordingly. Brokering institutions carefully "score" banks by way of our periodic regulatory reports. This allows market forces to capably allocate access to their deposits. While reasonable limits should be adopted via bank policy for the use of any/all liquidity channels, brokered funding has developed an overly negative opinion in the eyes of bank regulators that I have worked with—and so have the bankers that utilize such funding. Placing artificial "rate caps" and taking punitive measures such as restricting renewals in the case of capital shortfalls only increases the likelihood of liquidity stress—with no constructive upside or redeeming benefit for institutions impaired by such restrictions. There are times when brokered funding is less expensive than core funding—and so can be deployed to improve profitability. There are other times—like now, when brokered funding, though higher in relative cost, makes sense to ladder out maturities in size, benefitting repricing risk and overall balance sheet management.

I invite the FDIC to adopt a more constructive approach to brokered funding, and I appreciate the opportunity to comment in this regard.

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