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Financial Institution Letter

Combined Final Rule on Brokered Deposits and Interest Rate Restrictions

December 15, 2020 | FIL-113-2020

Summary:

The FDIC finalized revisions to its regulations relating to the brokered deposits and interest rate restrictions that apply to less than well capitalized insured depository institutions (IDIs). For brokered deposits, the final rule establishes a new framework for analyzing certain provisions of the “deposit broker” definition, including “placing deposits,” “facilitating the placement of deposits,” and “primary purpose.” For the interest rate restrictions, the FDIC amended its methodology for calculating the national rate, the national rate cap, and the local market rate cap. Further, the FDIC explained when non-maturity deposits are accepted and when non-maturity deposits are solicited for purposes of applying the brokered deposits and interest rate restrictions.

A copy of the [final rule](#) is available on the FDIC’s public website

Statement of Applicability to Institutions with Total Assets under \$1 Billion: This Financial Institution Letter applies to all FDIC-insured institutions.

Highlights:

With respect to Brokered Deposits, the final rule:

- Clarifies when a person meets the “placing deposits” and “facilitation” parts of the deposit broker definition;
- Provides that a person with an exclusive deposit placement arrangement with one IDI will not meet the “deposit broker” definition;

- Provides that the “primary purpose” exception will apply when, with respect to a particular business line, the primary purpose of the agent’s or nominee’s business relationship with its customers is not the placement of funds with depository institutions;
- Designates a list of business relationships that meet the primary purpose exception;
- Requires written notice for certain designated exceptions;
- Allows entities that do not meet one of the designated business relationships to apply for a primary purpose exception;
- Restates that brokered CDs will continue to be considered brokered deposits; and
- Affirms that third parties that either place or assist in the placement of deposits with a primary purpose of encouraging savings will not qualify for the primary purpose exception.

With respect to Interest Rate Restrictions, the final rule:

- Defines the “National Rate” as the average (weighted by market share of domestic deposits) of rates paid by all IDIs and insured credit unions;
- Defines the “National Rate Cap” as the higher of (1) the national rate, plus 75 basis points; or (2) for maturity deposits, 120 percent of the current yield on similar maturity U.S. Treasury obligations and, for non-maturity deposits, the federal funds rate plus 75 basis points; and
- Defines “Local Market Rate Cap” as 90 percent of the highest interest rate paid on a particular deposit product in the IDI’s local market area.

With respect to Non-Maturity Deposits, the final rule:

- Defines when non-maturity deposits are considered solicited or accepted for purposes of the brokered deposits and interest rate restrictions.

Effective Date:

- The final rule will become effective April 1, 2021; full compliance with the revised brokered deposit regulation is extended to January 1, 2022.

Attachment:



[Unsafe and Unsound Banking Practices: Brokered Deposits and Interest Rate Restrictions](#)

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All FDIC-Insured Institutions

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