

SCHWARTZ & BALLEN LLP
1990 M STREET, N.W. • SUITE 500
WASHINGTON, DC 20036-3465
WWW.SCHWARTZANDBALLEN.COM

TELEPHONE
(202) 776-0700

FACSIMILE
(202) 776-0720

MEMORANDUM

December 20, 2018

To Our Clients and Friends

Re: FDIC Regulatory Actions on Reciprocal Deposits

The Federal Deposit Insurance Corporation has adopted an amendment to its brokered deposit regulation to conform with changes made by the Economic Growth, Regulatory Relief, and Consumer Protection Act relating to reciprocal deposits. The rule implements the legislation permitting FDIC-insured financial institutions, under certain circumstances, to accept a capped amount of reciprocal deposits from treatment as brokered deposits.

Reciprocal deposits are deposits received by an agent institution through a deposit placement network with the same maturity (if any) and in the same aggregate amount as covered deposits placed by the agent institution in other network banks. To qualify for the exception, the institution must be an “agent institution,” which requires it to meet one of the following criteria:

- possess a composite condition of outstanding or good at the last examination and be well capitalized
- obtain a waiver that permits the institution to accept brokered deposits, or
- limit the amount of reciprocal deposits it receives if the institution does not have a composite condition of outstanding or good, or was determined to be not well capitalized.

In addition, the deposits must be “covered deposits,” which are deposits that (i) are placed through a deposit placement network by an agent institution, and (ii) do not consist of funds that were obtained for the agent institution, directly or indirectly, by or through a deposit broker.

A well-capitalized and well-rated agent institution can classify as non-brokered deposits the lesser of \$5 billion or an amount equal to 20 percent of its total liabilities. Reciprocal deposits that do not qualify for the exception remain brokered deposits.

If you have any questions, please call Gilbert Schwartz, Robert Ballen, Heidi Wicker, or Victor Razon at (202) 776-0700.