VIA ELECTRONIC SUBMISSION

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

Re: Request for Information on Deposits

Ladies and Gentlemen:

The Financial Services Forum[1] ("Forum") appreciates the opportunity to comment on the Federal Deposit Insurance Corporation's ("FDIC") Request for Information on Deposits ("RFI").

At the outset, the Forum wishes to stress that it supports the FDIC's goal of seeking appropriate additional information on the deposit liabilities of banks to better understand their relevant characteristics and potential risks. Importantly, the Forum strongly believes that it is necessary for the FDIC to collect and analyze pertinent data on bank deposit types before proposing any change to their regulatory treatment. In particular, the Forum strongly believes that the current proposal to modify the existing brokered deposit rule[2] must be accompanied by a detailed, data-based analysis of the characteristics and risks of the affected deposits before the proposal is moved forward.[3] Furthermore, the information gleaned from the analysis of brokered deposits must be appropriately disclosed to the public so that stakeholders can meaningfully evaluate the reasoning and justification for any proposed changes.

In what follows, we will outline several areas where we believe that the best policy approach would be for the FDIC to engage, where necessary, in additional data collection and analysis through the confidential supervisory process. In addition, we will suggest the inclusion of operational deposit data in the Call Report to broaden publicly available deposit data that can help differentiate between different types of uninsured deposits. Finally, we provide some brief comments relating to additional issues raised in the RFI.

We note that the RFI is motivated by and devotes significant attention to the regional bank failures that occurred in March of 2023. The Forum believes that it is important to place those events in appropriate

[1]The Financial Services Forum is an economic policy and advocacy organization whose members are the eight largest and most diversified financial institutions headquartered in the United States. The Forum promotes policies that support savings and investment, financial inclusion, deep and liquid capital markets, a competitive global marketplace, and a sound financial system.

[2] FDIC, Unsafe and Unsound Banking Practices: Brokered Deposit Restrictions, available here.

[3] In the remainder of this letter, we present recommendations on how relevant data can be collected and analyzed to support the rulemaking process.

context relative to the condition of and regulatory regime that applies to Forum members, all of which are U.S. GSIBs.

The March 2023 Regional Bank Failures, the FDIC RFI, and the Liquidity Profile of Forum Members

The FDIC RFI states that "the bank failures that occurred in March 2023 and subsequent events renewed focus by financial regulatory agencies, banks, investors, and the public on deposit insurance coverage, bank funding concentrations, and certain banks' reliance on uninsured deposits."[4] While these events may raise legitimate questions about appropriate transparency and risk tolerance for banking sector deposits, it is critical to acknowledge that Forum members in no way contributed to the events of March 2023.

Forum member institutions are subject to the strictest liquidity standards of any U.S. banking institutions, and as a result, maintain sufficient liquidity to manage periods of stress. These requirements include the full (100%) Liquidity Coverage Ratio ("LCR"), the full (100%) Net Stable Funding Ratio ("NSFR"), internal liquidity stress test (ILST) requirements, and Resolution Liquidity Adequacy and Positioning ("RLAP") and Resolution Liquidity Execution Need ("RLEN") requirements. The LCR and NSFR respectively require the U.S. GSIBs to maintain HQLA equivalent to at least 100 percent of projected net cash outflows over a 30-day hypothetical stress scenario and to maintain over a one-year horizon stable funding exceeding 100 percent of "required stable funding" based on the liquidity characteristics of their assets, derivatives, and off-balance-sheet exposures.

Our GSIB member institutions must notify supervisors promptly if they fall out of compliance with these requirements for even a single day and must provide a remediation plan if the shortfall persists for three days or more. Detailed liquidity risk management standards supplement the LCR and NSFR, including ILST requirements, annual firm-specific and horizontal assessments of liquidity and liquidity risk management practices through the Federal Reserve Board's Large Institution Supervisory Coordinating Committee ("LISCC") liquidity program, and enhanced internal liquidity requirements as part of firm-specific resolution planning mandates (i.e., RLAP and RLEN). These stringent supervisory liquidity standards add detailed, firm-specific scrutiny of Forum member institutions' liquidity management practices to the quantitative requirements embodied in the LCR and NSFR. In addition, Forum member institutions provide regulators with a significant amount of liquidity-related data on a daily basis through their submission of the FR 2052a.5

Because of these stringent standards, Forum members maintain significant liquidity levels that would allow them to effectively manage a period of heightened deposit outflows. The robust level of Forum members' liquidity has been publicly acknowledged by regulators. For instance, the Federal Reserve's recent financial stability report6 finds that "U.S. GSIBs continued to hold more HQLA than required by their LCR – the requirement that ensures banks hold sufficient HQLA to fund estimated cash outflows for 30 days during a hypothetical stress event." In addition, the Federal Reserve Board's Financial Stability Report documents that Forum member institutions maintain a liquidity buffer that is more than five percentage points higher than the "large non-GSIB banks" identified in the report.

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[4] FDIC, Request for Information on Deposits at 3 (July, 2024), available here.

[5] Federal Reserve Board, FR 2052a, available here.

[6] Board, Financial Stability Report at 37 (April, 2024), available here.

The comprehensive and robust liquidity requirements applied to Forum members repeatedly have proven sufficient to ensure their own liquidity during times of stress, while also providing liquidity for the broader banking sector. For instance, following the 2023 regional bank failures, Forum members served as sources of safety to customers—accepting significant deposit inflows7 as customers sought safety following the failure of Silicon Valley Bank and Signature Bank—while also acting as sources of strength to the banking sector by contributing the majority of a $30 billion deposit infusion to one troubled lender, providing much needed time for the resolution of that lender in an orderly and cost-effective manner. As the agencies have recognized, this "most welcome" action by our member institutions "demonstrate[d] the resilience of the banking system."8

Accordingly, while the events surrounding the regional bank failures of March 2023 may raise legitimate policy questions about the appropriate level of deposit transparency in the banking system, it must be recognized that Forum members have no nexus with those events and that U.S. GSIBs operate strong balance sheets with ample liquidity even in periods of financial market stress.

Importance of and Approaches to Understanding Heterogeneity in Uninsured Deposits

Much of the commentary surrounding March 2023 unhelpfully revolved around the binary division of bank deposit liabilities as either "insured" or "uninsured", without regard to the particular characteristics and features of different deposit types. In fact, large banks generate various forms of deposits such as brokered deposits, collateralized deposits, inter-company deposits, and operational deposits, that each have important and unique characteristics that contribute to their stability profile.

While the Forum agrees that some additional disclosure of deposit-related data may be helpful and appropriate to provide a more granular assessment of bank deposit profiles, additional public disclosure of deposit-related data should not be viewed as a panacea for two important reasons.

First, additional public disclosures entail both benefits and costs. Additional data does increase the information available to the public for their consideration, but at the same time, additional public disclosure may provide an incomplete and inaccurate view of a bank's financial situation without the benefit of additional firm-specific considerations. In many cases, the public disclosure of certain data can lead to misleading or inaccurate assessments because the fuller context surrounding the disclosed data is not available. Moreover, the data that would be required to provide appropriate context may simply be too voluminous to be practically feasible for public disclosure or could require the unwarranted public disclosure of confidential information. In addition, greater public disclosure may only intensify the propensity for stakeholders to draw inappropriate conclusions, based on incomplete data, that could lead to further procyclical instability during periods of stress. Similarly, a desire by banks to take appropriate action during stress could be frustrated by additional, partial public disclosures that would limit their ability to act because of the incomplete signals such actions would create.

Second, large banks engage in an extensive range of internal risk management assessments, based on specific, granular, and often confidential data to appropriately assess and manage funding and related

[7] See "Bank Funding During the Current Monetary Policy Tightening Cycle", Liberty Street Economics, May 2023, available here.
[8] FDIC, Joint Statement by the Department of the Treasury, Federal Reserve, FDIC, and OCC (Mar. 16, 2023), available here.

risks. Existing prudential requirements such as the LCR, NSFR, and Regulation YY require large banks to regularly engage in detailed data-based risk assessments. While some disclosure of bank-related data is appropriate and helpful for the public, such disclosures can't be expected to replicate a firm's own data-based risk management efforts.

While additional public disclosure is not called for in all cases, regulators can and should make effective use of the confidential supervisory process to improve their understanding of various types of uninsured deposits.

Importantly, any change to the regulatory regime relating to deposits must be preceded by an in-depth and data-based assessment of the deposits in question. Through the confidential supervisory process, regulators have access to firm-specific and granular data that can be used over time to assess deposit stability and related characteristics. Unlike public disclosure, which is typically rigid, uniform, and formulaic, a supervisory data assessment can be appropriately targeted to help ensure that the resulting analysis is contextually appropriate. To the extent that regulators deem changes appropriate, regulators can provide appropriately aggregated and anonymized analysis to the public to substantiate the changes. Relying on a flexible, confidential supervisory data collection will help ensure that regulators have the right information for their decision-making while also enabling, as appropriate, the limited disclosure of data to the public by the regulators to explain their reasoning.

The current FDIC proposal to change the definition and treatment of brokered deposits is a case in point.[9] The recently released proposal contains several broad changes to the definition of brokered deposits without providing a transparent, data-based analysis to support or explain the proposed restrictions. Consistent with the discussion above, Forum members believe that any changes to the definition and treatment of brokered deposits by the FDIC should only be undertaken following a comprehensive, data-based assessment through the confidential supervisory process that can then be appropriately aggregated, anonymized, and communicated to the public for comment.

The FDIC's RFI asks a variety of questions about other types of data that may be considered for inclusion in the Call Report. As a general matter, Forum members do not support the public reporting of deposit-related data, which is appropriately the purview of the supervisory process. This includes information on 'different measures of concentration of deposits, such as by deposit account size, depositor type or industry' (see question 5b of the RFI)[10]. Bank supervisors already have access to a wide array of detailed and specific data on bank funding conditions through the confidential supervisory process. As a specific example, Forum members and certain other banks already provide a high volume of detailed and specific liquidity-relevant data in a confidential manner in the FR 2052a regulatory report. The publicly available Call Report should not be used to engage in a detailed supervisory review of a bank's deposit profile. The precise composition of a bank's deposit profile depends critically on various specific features including its mix of business lines, range of clients and counterparties, and means of non-deposit funding. Supervisors may have a legitimate need to conduct a detailed review of a bank's deposit profile, but such a review should be appropriately tailored and designed in the context of the confidential supervisory process. As a public report on the broad financial condition of banks, the Call

[9] FDIC, Unsafe and Unsound Banking Practices: Brokered Deposit Restrictions, available here.
[10] FDIC, Request for Information on Deposits at 3 (July, 2024), available here.

Report is not suited to serve as an information source for such a specific and tailored supervisory review and assessment.

Additional Data to be Assessed Through the Confidential Supervisory Process

As discussed above, there are important tradeoffs inherent in expanding the scope of public reporting. Accordingly, while the Forum does not believe that additional public disclosure of deposit-related data is generally necessary or appropriate, the Forum does support the confidential supervisory collection and assessment of a range of deposit-related data items as a means of enhancing supervisors' understanding of bank deposit and liquidity profiles. The RFI explicitly contemplates that certain data may be collected on a confidential basis (Question 5d)[11] and the response that follows, except where otherwise noted, is being provided with the explicit caveat that the data elements discussed should be collected on a confidential supervisory basis and not included in any public disclosure such as the Call Report.

As previously noted, large banks make use of a range of deposits including, but not limited to, brokered deposits, collateralized deposits, inter-company deposits, and operational deposits, that have inherent and unique characteristics that contribute to their stability profile.

In the case of certain types of brokered deposits, these deposits are often a part of well-established, long-running programs that are linked to other well-established and stable lines of business that promote deposit stability.

Deposits of public entities that are fully collateralized, while also serving an important public purpose, are inherently more stable than uninsured deposits that are not fully collateralized.

A bank's parent, affiliate, and subsidiaries often maintain deposits with the bank, and these deposits are generally more stable than uninsured deposits that are unaffiliated with the bank. In addition, inter-affiliate relations, including inter-affiliate deposits, are themselves governed by regulations, such as Regulation W, that support their stability.

Operational deposits exhibit several characteristics, to be discussed in what follows, that promote their stability as a source of deposit funding.

Forum members believe that it is appropriate for the FDIC, and other regulators, to engage in the confidential supervisory collection and analysis of specific deposit-related information to assess, on an ongoing basis, the stability and risk characteristics of these and other related deposit products. Importantly, such data and analysis must inform any future proposed changes to the regulatory treatment of these or other deposit types.

Specific data items that could be collected on a confidential supervisory basis include:

1. Counterparty Type (Retail\Wholesale) – the specific counterparty type provides pertinent information that is relevant for monitoring and assessing deposit stability.
2. Size and Concentration of Depositor Balances – in the specific case of SVB, significant depositor concentration was an issue. Accordingly, an understanding of depositor size and concentration metrics can be useful as part of the ongoing supervisory process. Moreover, Forum members

[11] FDIC, Request for Information on Deposits at 3 (July, 2024), available here.

are subject to various requirements that limit such concentrations though these requirements are not broadly applicable throughout the industry.

3. The Purpose and Use of Funds or Product Type -a detailed understanding of various product types (e.g. CDs) and services, as well as the purpose and use of the funds is useful for monitoring and assessing the behavior and stability of different deposit types over time.
4. Contractual Provisions Preventing Withdrawal – contractual provisions preventing withdrawal or increasing the cost of withdrawal are important features that contribute to the stability of various deposit types.
5. Maturity vs. Non-Maturity Deposits - the contractual term of a deposit type is an important characteristic as term deposits are inherently more stable as a source of funding.

The data elements described above are important and pertinent data features that are useful in evaluating the stability of different deposit types. As one example, a deposit that contractually prevents or limits withdrawal provides a clear example of data that is relevant for assessing deposit stability. Similarly, certain brokered sweep deposit contracts that have penalty provisions are also relevant data for building out the full stability profile of those deposits. This is also true of operational deposits that result from the provision of specific categories of financial services.

A thorough supervisory evaluation, rather than additional public reporting, is the most appropriate way to fully assess data of this scale and complexity across a range of different deposit types. Additionally, the Forum understands that at least some of the data items described above may already be collected from members in certain regulatory reports such as the FR 2052a. As such, regulators can leverage the existing data reporting infrastructure to assess deposit funding stability, while also assessing the need to collect the same data more broadly among other banks. To the extent that there are constraints on the use of such data, regulators should work together to make the most effective and efficient use of data that is already collected as part of the supervisory process rather than requiring additional data collection – either public or confidential.

Finally, it is worthwhile to note that the recent FDIC Special Assessment rulemaking makes clear the need for additional supervisory data collection and analysis. More specifically, in the FDIC's 2023 Special Assessment rulemaking, the FDIC rejected calls to treat inter-company deposits and collateralized deposits differently from other uninsured deposits due, in part, to a lack of available data about these deposits.[12] In the case of inter-company deposits the FDIC stated that "it is not possible to accurately estimate the portion of uninsured deposits that are intercompany deposits using existing items on the Call Report," while in the case of collateralized deposits the FDIC stated that "they [covered banks] do not report other types of collateralized deposits such as those mentioned by commenters." Accordingly, the cited lack of data and information in the recent FDIC Special Assessment rulemaking clearly points to a need for a more extensive and thorough collection and analysis of deposit data across a broad range of deposit types. Importantly, while the final rule points to a lack of public data on these items in the Call Report, Forum members believe that these and other related dated items should generally be collected and analyzed on an ongoing basis through the confidential supervisory process rather than through public disclosure.

[12] Special Assessment final rule, available here.

Additional Deposit Data to be Included in the Call Report - Operational Deposits

While Forum members do not generally support additional public reporting of deposit and liquidity-related data, there is one specific data item that Forum members do believe should be included in the Call Report. Question 5 of the RFI asks "[w]hat, if any, additional data including more granular or more frequently reported data, should the FDIC in conjunction with other members of the FFIEC, consider collecting on the Call Report or another data collection to better inform the public and agencies' understanding of different types of depositor behavior?"[13] In this regard, the Forum believes that it is appropriate to augment the Call Report by adding a line item for total operational deposits for all banks subject to the LCR and NSFR.

Operational deposits are explicitly defined in the LCR and NSFR[14] as "unsecured wholesale funding or a collateralized deposit that is necessary for the bank to provide operational services as an independent third-party intermediary, agent, or administrator to the wholesale customer or counterparty providing the unsecured wholesale funding or collateralized deposit." Furthermore, operational deposits are specifically limited to three categories of financial services provided to large firms and institutional investors; namely cash management, custody, or clearing services.

The LCR final rule enumerates 12 specific services that may qualify a deposit as operational, provided they are performed as part of cash management, clearing, or custody services. Moreover, operational deposits must also meet several specific and measurable criteria which can be transparently assessed and are enumerated in the final rule. Furthermore, to be identified as an operational deposit, the deposit must be, to the satisfaction of the bank's supervisor, empirically linked to the specific operational services offered by the bank.

These criteria place significant limitations on the types and amounts of deposits that can qualify as operational deposits and have a significant impact on their stability. In addition, the operational deposit definition explicitly excludes certain deposits that regulators view as being less stable. The exclusion of these less stable deposits serves to increase the stability of the resulting operational deposits. More generally, firms placing operational deposits at a bank are using these deposits to facilitate routine, business-as-usual payments and transactions which must be performed on a regular and routine basis for fundamental business reasons. Accordingly, these deposits are stable because the underlying business needs of the bank depositor demand stability. Furthermore, regulators have full supervisory authority to monitor and review how banks classify operational deposits, which provides an additional, independent check on the classification of operational deposits.

Forum members believe that reporting a bank's level of operational deposits in the Call Report can improve public transparency on the nature and composition of a key source of deposit funding in the banking sector. In the aggregate, Forum members' operational deposits represent roughly 26 percent of

[13] FDIC, Request for Information on Deposits at 17 (July, 2024), available here.

[14] Liquidity Coverage Ratio: Liquidity Risk Measurement Standards', Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Federal Register (October 10, 2014), and 'Net Stable Funding Ratio: Liquidity Risk Measurement Standards and Disclosure Requirements', Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Federal Register (February 11, 2021).

aggregate Forum deposits.[15] Accordingly, including operational deposits in the Call Report with other, existing deposit-related data can appropriately broaden the context in which those other data points are considered and analyzed by the public, and help counter the unhelpful binary distinction drawn today between "insured" and "uninsured" deposits.

Additional Issues

The FDIC's RFI asks in Question 7 "If Congress were to consider deposit insurance reform, what are the pros and cons of the options described in the FDIC's May 2023 report?"[16] One policy option discussed in the FDIC report is an "Unlimited Coverage" option that would extend deposit insurance up to the full amount of a bank deposit for every depositor.

Forum members view this option as highly problematic for two reasons. First, the social costs associated with unlimited coverage of banking system deposits would be extraordinarily high. Currently, the U.S. banking system maintains roughly $18 trillion in deposits.[17] Insuring the entirety of the U.S. banking system's deposit base would result in substantial costs that would ultimately be borne by the public. Indeed, the economic cost of a depositor insurance program will be borne by the ultimate beneficiaries of the program irrespective of the regulatory or legal process that is used to fund that program. Second, unlimited deposit insurance would fully erode any incentive that depositors have to monitor the health and safety of individual banks and the banking sector as a whole. Under the unlimited coverage option, even the largest and most sophisticated entities with significant risk management capabilities would have no incentive to assess the health and soundness of their bank counterparties. A well-functioning financial system demands that market participants be attuned to and take actions based on their assessment of risk. A complete lack of any risk monitoring incentives would degrade the effectiveness and efficiency of the U.S. banking and financial system. Any change to the FDIC deposit insurance program should be based on analytically sound assessments that consider both the underlying risk of the bank deposit being insured as well as the amount of the insured deposit.

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Thank you for your consideration of the Forum's views on this Request for Information. If you have any questions, please contact the undersigned.

Kevin Fromer
President and CEO
Financial Services Forum

[15] Data from Forum members' third quarter 2024 public LCR disclosures and Federal Reserve Y-9C filings.

[16] FDIC, Request for Information on Deposits at 18 (July, 2024), available here.

[17] According to the Federal Reserve Bank of New York's Quarterly Trends for Consolidated U.S. Banking Organizations, as of the second quarter of 2024 the U.S. banking system maintains $17.53 Trillion in deposits.