



PANOLA NATIONAL BANK

**BRETT A. BIGGS**  
President

March 25, 2020

Mr. Robert E. Feldman  
Executive Secretary  
Attention: Comments  
Federal Depository Insurance Corporation  
550 17<sup>th</sup> Street, N.W.  
Washington, D.C. 20429

Re: Unsafe and Unsound Banking Practices: Brokered Deposit Restrictions RIN 3064-AE94

Dear Mr. Feldman,

I appreciate the ability to provide feedback to the FDIC on its proposed new rule regarding brokered deposits.

I am writing to express my concerns regarding the new rule, as it is currently written, it creates uncertainty for Panola National Bank, where I serve as the President and Chief Operating Officer.

Perhaps I am misinterpreting the intent of the proposed rule but as I read the written language it appears to me that the new rule may:

- Limit my ability to use bank consultants, data service providers and other outside resources - lest all deposits that are garnered or supported by any such engagements will be declared and treated as “brokered”
- Dismantle business relationships that I have in place with third-party service providers whose services are allowed and protected by long-standing Advisory Opinions.

Panola National Bank is a small institution serving the towns of Carthage and Marshall in East Texas. We, like many other community banks, don't have the same level of internal resources that our nation's large banks and fintech companies have to build, deliver, and support the modern banking products, services, and capabilities that our communities desire and deserve. That doesn't mean we can't compete – we can – but only if we are fully able to engage and partner with a wide range of industry participants and service providers who support the banking industry.

While I believe the proposed “facilitation” definition is aimed at addressing external parties who play an active role in opening deposits and maintaining control of those deposits after the account is opened, the language, as currently written is exceedingly broad and inappropriately seems to limit my ability to (a) receive any information from any third party; (b) utilize or receive assistance from industry consultants regarding my deposit products and (c) use any external resources, other than administrative service companies, within my deposit supply chain or I risk all deposits that are associated with any such third parties being declared and treated as brokered.

This language needs to be revised to specifically identify and address external entities that own and control the depositor relationships and be written in a specifically clear manner that overtly enables banks to freely engage industry participants and third party service providers that enable us – the bank – to offer deposit products to our communities and whose services assist us – the bank – in establishing direct relationships with individual depositors who work and live in our communities. There are distinct differences between entities that own and control depositor relationships and funds and those whose services empower a bank to establish, own and control direct relationships

with individual depositors who work and live in the communities the bank services. The language needs to be revised to clarify and narrow the definition of “facilitating the placement of deposits” to cover only those activities that present risk to the safety and soundness of any bank or to the Deposit Insurance Fund (“DIF”)

I also recommend the FDIC formally declare that all current Advisory Opinions will remain in full force and effect post any final rule. We have engaged outside firms to help us offer our deposit accounts as well as engaged other firms to assist us in customer support activities based upon the authority of these formal FDIC determinations. Eliminating these commonly accepted understandings would result in a tremendous disruption of banking services for our customers.

I am also concerned about the time-consuming and administrative process by which a wide range of third parties will have to apply for a primary purpose exception to the deposit broker definition. It seems to me that a much more efficient process would be for the FDIC to create overt exclusions / exceptions for specific types of deposits that do not cause any risks to the safety and soundness of insured depository institutions or to the DIF.

Consequently, I respectfully recommend the FDIC consider and implement the following items within its final rule:

- Provide an express exclusion from the definition of “brokered deposits” for transaction account deposits where a bona fide, direct relationship has been established between the depositor and the bank
- Provide an express exclusion from the definition of “deposit broker” for third-party service providers that enable insured depository institutions to offer transaction and relationship-based deposit accounts where the third party has no contractual relationship with any depositor to place, manage or control the depositor’s funds.

By creating the bright-line standards associated with the two exclusions I have outlined above, the FDIC will ensure that banks funding their operations with stable deposits and are engaging third parties who assist the institution establish and retain direct relationships with individual depositors.

I appreciate the challenges associated with balancing safety and soundness protections, with community banks need to utilize third parties to support our customers and communities. I urge the FDIC to consider incorporating the recommendations that I have outlined above within its final rule for, as currently proposed, the rule will hurt community banks, harm consumers and stall the economic expansion of the small towns that we support.

Sincerely,



Brett A. Biggs  
President and Chief Operating Officer