

THE FINANCIAL SERVICES ROUNDTABLE



Financing America's Economy

To: Representatives of the Financial Services Roundtable, GAC, Public Affairs Council, Research Council, All Staff

Fast Facts: BROKERED DEPOSITS

On January 13, 2011, the Financial Services Roundtable released a study commissioned through the Cluff Fund and authored by Dr. Clifford Rossi, entitled: [Decomposing the Impact of Brokered Deposits on Bank Failure](#). Below are key takeaways from the report.

FACT: Brokered deposits are large-sum deposits, similar to certificates of deposit, which are sold by a bank to a brokerage company. The brokerage company then divides the brokered deposits into smaller pieces and sells them to the brokerage's customers.

FACT: Numerous failed banks (during and after the savings & loan crisis of the 1990's) have had large positions in brokered deposits – leading some observers to believe that brokered deposits are causal to bank failure.

FACT: Prior to the Dodd-Frank Act, the FDIC issued rules, including Section 29 of the Federal Deposit Insurance Act, that eliminated the use of brokered deposits for firms that are not well-capitalized, capped the rates paid on these funding sources, and raised deposit premiums associated with brokered deposits.

FACT: Using quarterly FDIC call report data from 2007-2009, Dr. Clifford Rossi's study concludes that brokered deposits are not a statistically significant indicator of bank failure.

- Rather, the study concludes aggressive asset growth and risk-taking strategies are leading indicators of bank insolvency.

FACT: The Dodd-Frank Act mandates the [FDIC](#) to study the impact of revising the definitions of brokered deposits and core deposits and examine their role in the economy and banking sector of the U.S. The study will be released prior to July 21, 2011.

If you have questions, please do not hesitate to contact Abby McCloskey, Director of Research at the Financial Services Roundtable, at Abby@fsround.org, Scott Talbott, Senior Vice President of Government Affairs, at Scott@fsround.org, or Brad Ipema, Senior Counsel for Legal & Regulatory Affairs, at Brad.ipema@fsround.org.

The 2011 Financial Services University (FSU) is an educational series sponsored by Financial Services Roundtable member companies. It will be held Feb 10-11, 2011 on Capitol Hill. The mission of FSU is to provide congressional staff with basic information on the role of the financial services industry in the U.S. economy and to review financial services issues affecting congressional offices. If you are a new staffer, have recently added financial service issues to

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January 28, 2011

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your portfolio, or are a seasoned professional who wants to learn more about the major financial areas of importance impacting our nation and economy, FSU is for you. Contact Brenda Bowen to RSVP at brenda@fsround.org.

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January 28, 2011