



March 11, 2025

Chief Counsel's Office  
Office of the Comptroller of the Currency  
Attention: Comment Processing  
Docket ID OCC-2023-0016  
400 7th Street SW, Suite 3E-218  
Washington, DC 20219

James P. Sheesley  
Assistant Executive Secretary  
Attention: Comments - RIN: 3064-ZA39  
Federal Deposit Insurance Corporation  
550 17th Street NW  
Washington, DC 20429

Ann E. Misback, Secretary  
Board of Governors of the Federal Reserve  
System  
Docket No. OP-1828  
20th Street and Constitution Avenue NW  
Washington, DC 20551

Re: Regulatory Publication and Review Under the Economic Growth and Regulatory Paperwork Reduction Act of 1996; Docket ID OCC-2023-0016; Docket No. OP-1828; RIN 3064-ZA39; Document No. 2024-28939; 89 Fed. Reg. 99751 (Dec. 11, 2024)

Dear Ladies and Gentlemen:

Better Markets<sup>1</sup> appreciates the opportunity to comment on the joint notice of regulatory review (“Regulatory Review”) of the Office of the Comptroller of the Currency (“OCC”), the Board of Governors of the Federal Reserve (“Fed”), and the Federal Deposit Insurance Corporation (“FDIC”) (collectively, “the Agencies”).<sup>2</sup>

The Economic Growth and Regulatory Paperwork Reduction Act of 1996 (“EGRPRA”) requires the Federal Financial Institutions Examination Council (“the Council”) and the Agencies to conduct a review of all regulations prescribed by the Council. The Agencies categorize the regulations at least every 10 years, provide public notice, and solicit public comment. The public is asked to identify outdated, unnecessary, or unduly burdensome areas of the regulations.

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<sup>1</sup> Better Markets is a non-profit, non-partisan, and independent organization founded in the wake of the 2008 financial crisis to promote the public interest in the financial markets, support the financial reform of Wall Street, and make our financial system work for all Americans again. Better Markets works with allies—including many in finance—to promote pro-market, pro-business, and pro-growth policies that help build a stronger, safer financial system that protects and promotes Americans’ jobs, savings, retirements, and more.

<sup>2</sup> Regulatory Publication and Review Under the Economic Growth and Regulatory Paperwork Reduction Act of 1996; Docket ID OCC-2023-0016; Docket No. OP-1828; RIN 3064-ZA39; Document No. 2024-28939; 89 Fed. Reg. 99751 (Dec. 11, 2024), <https://www.federalregister.gov/documents/2024/12/11/2024-28939/regulatory-publication-and-review-under-the-economic-growth-and-regulatory-paperwork-reduction-act>.

Importantly, however, *the pursuit of burden reduction cannot come at the expense of consumer protection or the safety and soundness of banks, their affiliates, or the financial system.*<sup>3</sup>

In this Regulatory Review, the Agencies seek comment on regulations in three categories:

- Rules of Procedure,
- Safety and Soundness, and
- Securities.<sup>4</sup>

Better Markets offers the following recommendations on these topics:

- First, related to bank resolution and recovery planning requirements, the changes that were recently made by the FDIC<sup>5</sup> and OCC<sup>6</sup> in 2024 to strengthen rules and guidelines for resolution and recovery plans for the largest banks, while not perfect, were a step in the right direction. These changes bolstered financial stability and protected Main Street Americans and businesses. Moreover, *because the rules apply only to the largest banks and not smaller community banks, they do not add regulatory burden or cost to community banks. Therefore, these rules should not be weakened as part of this Regulatory Review.*
- Second, related to rules governing brokered deposits, the FDIC had taken a step in the right direction to reduce destabilizing “hot money” movements in and out of banks with its proposed rule changes in 2024.<sup>7</sup> Unfortunately, on March 3, 2025, the FDIC Board stopped this rulemaking.<sup>8</sup> This was a mistake because the dangerous loopholes that

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<sup>3</sup> *Id.* at 99753 (emphasis added).

<sup>4</sup> *Id.*

<sup>5</sup> See, e.g., Press Release, Better Markets, *The FDIC’s Rule on Resolution Planning is Not Strong Enough to End the Contagion, Chaos, Costs, and Bailouts From Large Bank Failures* (June 20, 2024), <https://bettermarkets.org/newsroom/the-fdics-rule-on-resolution-planning-is-not-strong-enough-to-end-the-contagion-chaos-costs-and-bailouts-from-large-bank-failures/>.

<sup>6</sup> See, e.g., Press Release, Better Markets, *OCC Strengthening Large Banks’ Recovery Planning Will Help Prevent Bank Failures, Crashes, and Taxpayer-Funded Bailouts* (Oct. 21, 2024), <https://bettermarkets.org/newsroom/occ-strengthening-large-banks-recovery-planning-will-help-prevent-bank-failures-crashes-and-taxpayer-funded-bailouts/>.

<sup>7</sup> See, e.g., Better Markets Comment Letter, *Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions* (Nov. 21, 2024), <https://bettermarkets.org/wp-content/uploads/2024/11/Better-Markets-Comment-Letter-FDIC-Brokered-Deposits.pdf>.

<sup>8</sup> See, e.g., Press Release, Better Markets, *Trump’s Acting FDIC Chair’s Sweeping Mindless Deregulation Endangers Americans’ Bank Savings Accounts* (Mar. 4, 2025), <https://bettermarkets.org/newsroom/trumps-acting-fdic-chairs-sweeping-mindless-deregulation-endangers-americans-bank-savings-accounts/>.

exist in the prior regulation will not be closed.<sup>9</sup> Instead, even weak banks will be able to continue to bring in large volumes of insured deposits, bundled and placed by deposit brokers. These deposits can increase the likelihood and cost of bank failures. ***The banking regulators should reinstate the 2024 rulemaking to protect the safety and soundness of the banking industry and reduce the severity of a future banking crisis.***

- Third, the banking regulators must strengthen liquidity requirements to increase the largest banks' ability to withstand periods of higher liquidity outflows. As Better Markets detailed, the 2016 proposal for improving liquidity rules was strong.<sup>10</sup> ***However, the final rule was gutted by exclusions and complexity, which favored Wall Street's biggest banks and did not effectively address the sources of financial instability and bailouts.***<sup>11</sup>

In summary, financial regulations are vital to protect Main Street Americans and financial stability. We recognize that banks face a long list of rules with which they must comply, and this can be a significant burden. However, as detailed in this letter, rescinding or weakening rules is not the right move to protect consumers or financial stability. We welcome the opportunity to contribute to the review of these regulations and encourage the Agencies to implement changes to strengthen rules that protect consumers and financial stability as soon as practicable.

## **BACKGROUND**

This EGRPRA review is the third in a series of similar reviews conducted by the Agencies; the two prior reviews were completed in 2007 and 2017.<sup>12</sup> While useful changes were made in those prior reviews, additional opportunities for improvement remain.

Recent decades have been characterized by intense regulatory activity, which has affected all banks. These rules are intended to protect society and the financial system from harm, but they also require time, resources, understanding, and action by banks. This burden often weighs heavier on community banks because community banks have less staff to dedicate to compliance activities.

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<sup>9</sup> See, e.g., Shayna Olesiuk, *The FDIC Should Close its Brokered Deposits Loopholes, Not Wait Until After the Next Crisis* (Nov. 21, 2024), <https://bettermarkets.org/wp-content/uploads/2024/11/FS-Brokered-Deposits-11-21-24.pdf>.

<sup>10</sup> See Better Markets Comment Letter, *Net Stable Funding Ratio: Liquidity Risk Measurement Standards and Disclosure Requirements* (Aug. 5, 2016), [https://www.bettermarkets.org/sites/default/files/FDIC%20FRS%20OCC%20-%20CL%20-%20Net%20Stable%20Funding%20Ratio%20-%20\(Searchable%20Text%20Version\)\\_0.pdf](https://www.bettermarkets.org/sites/default/files/FDIC%20FRS%20OCC%20-%20CL%20-%20Net%20Stable%20Funding%20Ratio%20-%20(Searchable%20Text%20Version)_0.pdf).

<sup>11</sup> See, e.g., Press Release, Better Markets, *On the Eve of the Presidential Election, Trump's Banking Deregulators Are Finalizing Rules on Partisan Votes Favoring Wall Street's Biggest Banks Over Main Street's Families, Businesses and Taxpayers* (Oct. 20, 2020), <https://bettermarkets.org/newsroom/eve-presidential-election-trump-s-banking-deregulators-are-finalizing-rules-partisan-votes/>.

<sup>12</sup> See, e.g., ECONOMIC GROWTH AND REGULATORY PAPERWORK REDUCTION ACT, HISTORY, <https://egrpra.ffiec.gov/index.html> (last visited Feb. 27, 2025).

Throughout the country, particularly in rural areas, community banks are the lifeblood of Main Street, providing essential financial services and support to individuals, businesses, and community organizations. The data show that almost two-thirds—65 percent—of the more than 1,200 rural counties across the country are served by at least one community bank.<sup>13</sup> In many counties, these community banks provide the *only bank access* to consumers and small businesses because there are no large bank branches in the area.<sup>14</sup>

While bank regulations are essential to ensure that banks operate safely and fairly, it is also important to make sure that regulations are appropriate to the size and systemic importance of banks. FDIC research notes that between December 2007 and year-end 2019, 157 substantive final rules or federal programs affecting community banks were issued by federal banking regulatory agencies, which equates to an average of 1 new rule or program per 28 days.<sup>15</sup> The FDIC appropriately states:

So numerous were the new regulations that keeping current with them would have challenged any bank, but *especially a small bank with limited compliance resources*. Some of these regulatory actions created new obligations for banks, but many of them benefited banks. . . . A common feature of these rules, however, is that the affected banks needed to understand them. Putting aside any consideration of the substantive effects of these rule changes, their large number and scope make clear that *merely being knowledgeable about changes in bank regulation can be, by itself, an important and potentially daunting task for any bank*.<sup>16</sup>

The cost of resources that are dedicated to understanding and complying with regulations is typically accounted for as part of banks' noninterest expense. FDIC research shows that community banks' noninterest expense relative to average assets has been *higher than noninterest expense at noncommunity banks* since 2008 when the pace of rulemaking increased (see Chart 1).<sup>17</sup> This suggests that the compliance burden is indeed weighing heavier at community banks compared to their noncommunity bank counterparts.

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<sup>13</sup> Michael Hoffman, Camille Keith, Joycelyn Lu, & LaShawn Reed-Butler, 2023 *Summary of Deposits Highlights*, 18 FDIC QUARTERLY, at 70 (2024), <https://www.fdic.gov/analysis/quarterly-banking-profile/fdic-quarterly/2024-vol18-1/fdic-v18n1-4q2023.pdf>.

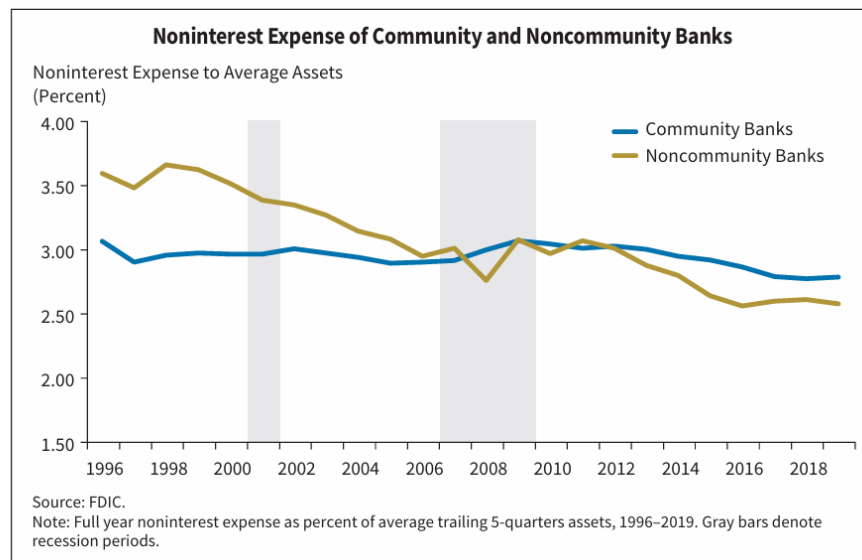
<sup>14</sup> *Id.*

<sup>15</sup> FEDERAL DEPOSIT INSURANCE CORPORATION, FDIC COMMUNITY BANKING STUDY, at 5-2 (Dec. 2020), <https://www.fdic.gov/resources/community-banking/report/2020/2020-cbi-study-full.pdf>.

<sup>16</sup> *Id.* at 5-1.

<sup>17</sup> *Id.* at 5-3.

**Chart 1**



While it may seem that the best course of action is to scale back or eliminate rules to ease the burden on community banks, it is also important to ***hold the largest and most complex banks accountable for protecting consumers and financial stability***. Large banks’ risky activities are often the catalyst for financial instability; community banks are then subsequently hurt by the broader instability and often end up paying the price for banks that fail through necessary replenishment of losses to the FDIC’s Deposit Insurance Fund. Main Street Americans and taxpayers also pay the price when taxpayer-funded programs are needed to protect the financial system and economy during crisis periods. In short, while it is true that community banks could benefit by scaling back or eliminating rules that require time and resources to understand and implement, ***community banks unquestionably benefit by maintaining strong rules and regulations for large and complex banks. This approach results in a stronger and more stable economy and financial system.***

## **SUMMARY OF THE REGULATORY REVIEW**

Pursuant to EGRPRA, this Regulatory Review assesses three categories of regulations to identify outdated or unnecessary components as well as other necessary changes, including:

- Rules of Procedure,
- Safety and Soundness, and
- Securities.<sup>18</sup>

<sup>18</sup> Regulatory Publication and Review Under the Economic Growth and Regulatory Paperwork Reduction Act of 1996, *supra* note 2 at 99753.

The focus of the EGRPRA review process is on smaller banks, specifically how to reduce the regulatory “burden” on these institutions. Importantly, this goal must be considered in relation to consumer protections, bank safety and soundness, and stability of the entire financial system.

## **SUMMARY OF COMMENTS**

As stated earlier in this letter, Better Markets welcomes the opportunity to participate in the Regulatory Review by offering several comments on ways in which regulations should be changed to meet the goals of reducing the burden on small banks while maintaining bank safety and soundness as well as financial stability.

Our recommendations are as follows:

- Maintain strong bank resolution and recovery planning requirements to protect financial stability as well as Main Street consumers and businesses.
- Reinstate brokered deposit rulemaking to close loopholes and reduce destabilizing “hot money” movements in and out of banks that can increase the likelihood and cost of bank failures.
- Strengthen liquidity requirements such as the Net Stable Funding Ratio (“NSFR”) to increase the largest banks’ ability to withstand periods of higher liquidity outflows.

## **COMMENTS**

### **I. MAINTAIN STRONG BANK RESOLUTION AND RECOVERY PLANNING REQUIREMENTS.**

The failures, contagion, chaos, costs, and bailouts of Silicon Valley Bank, Signature Bank, and First Republic Bank did not have to happen, should not have happened, and would not have happened if the failed banks had current, workable recovery plans and living wills that were reviewed promptly.<sup>19</sup> Such preparation, especially for large banks, is vitally important to prevent those banks from endangering the entire financial system and the American public and making the already unacceptable too-big-to-fail problem even worse.

In 2022, the Agencies proposed changes to strengthen resolution planning for large banks

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<sup>19</sup> See, e.g., Shayna Olesiuk, *Two Years After the 2023 Banking Crisis, Main Street is Still in Danger* 7-8 (Mar. 4 2025), [https://bettermarkets.org/wp-content/uploads/2025/03/BetterMarkets\\_Two\\_Years\\_After\\_2023\\_Banking\\_Crisis\\_Report\\_03-04-2025.pdf](https://bettermarkets.org/wp-content/uploads/2025/03/BetterMarkets_Two_Years_After_2023_Banking_Crisis_Report_03-04-2025.pdf).



requirements<sup>20</sup> as well as living wills for domestic<sup>21</sup> and foreign<sup>22</sup> firms. Additionally, in 2024, the OCC proposed rules to strengthen recovery planning<sup>23</sup> at the largest banks. The banking regulators rightly recognized that large banks must be held accountable for preparing and maintaining robust plans that will prevent the need for a large bank bailout, or global systemically important bank (“GSIB”) takeover, as occurred with JPMorgan’s acquisition of First Republic Bank.<sup>24</sup>

The Agencies’ final rules on living wills and resolution planning, while not perfect, were steps in the right direction because they made necessary improvements to increase and expand requirements for large banks to plan for potential bank failures.<sup>25</sup> Furthermore, recovery planning guidelines from the OCC made several important changes, including broadening the scope to banks with at least \$100 billion in total assets, rather than the prior \$250 billion total asset minimum.<sup>26</sup> All of these rules recognize the systemic risk and contagion that exists at banks of this size, as was clearly demonstrated in the 2023 crisis when Silicon Valley Bank and other banks with less than \$250 billion in assets failed. The OCC’s guidelines also stated that banks will have to regularly test recovery plans to proactively identify weaknesses and deficiencies before a failure, make corrections before a failure occurs, and plan for recovery from non-financial threats, like operational risks or strategic risks, as well as financial risks.

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<sup>20</sup> See, e.g., Better Markets Comment Letter, *Resolution Plans Required for Insured Depository Institutions With \$100 Billion or More in Total Assets; Informational Filings Required for Insured Depository Institutions With at Least \$50 Billion But Less Than \$100 Billion in Total Assets* (Nov. 30, 2023), [https://bettermarkets.org/wp-content/uploads/2023/11/Better\\_Markets\\_Comment\\_Letter\\_FDIC\\_Resolution\\_Plans.pdf](https://bettermarkets.org/wp-content/uploads/2023/11/Better_Markets_Comment_Letter_FDIC_Resolution_Plans.pdf).

<sup>21</sup> See, e.g., Better Markets Comment Letter, *Guidance for Resolution Plan Submissions of Domestic Triennial Full Filers* (Nov. 30, 2023), [https://bettermarkets.org/wp-content/uploads/2023/11/Better\\_Markets\\_Comment\\_Letter\\_Guidance\\_Resolution\\_Plan\\_Submissions\\_Domestic\\_Triennial\\_Full\\_Filers.pdf](https://bettermarkets.org/wp-content/uploads/2023/11/Better_Markets_Comment_Letter_Guidance_Resolution_Plan_Submissions_Domestic_Triennial_Full_Filers.pdf).

<sup>22</sup> See, e.g., Better Markets Comment Letter, *Guidance for Resolution Plan Submissions of Foreign Triennial Full Filers* (Nov. 30, 2023), [https://bettermarkets.org/wp-content/uploads/2023/11/Better\\_Markets\\_Comment\\_Letter\\_Guidance\\_Resolution\\_Plan\\_Submissions\\_Foreign\\_Triennial\\_Full\\_Filers.pdf](https://bettermarkets.org/wp-content/uploads/2023/11/Better_Markets_Comment_Letter_Guidance_Resolution_Plan_Submissions_Foreign_Triennial_Full_Filers.pdf).

<sup>23</sup> See, e.g., Better Markets Comment Letter, *OCC Guidelines Establishing Standards for Recovery Planning by Certain Large Insured National Banks, Insured Federal Savings Associations, and Insured Federal Branches* (Aug. 2, 2024), <https://bettermarkets.org/wp-content/uploads/2024/08/Better-Markets-Comment-Letter-OCC-Guidelines-Establishing-Standards-for-Recovery-Planning.pdf>.

<sup>24</sup> See, e.g., Better Markets, *Jamie Dimon is Still Dancing in the Streets One Year After JPMorgan Chase’s Acquisition of First Republic Bank* (Apr. 30, 2024), [https://bettermarkets.org/wp-content/uploads/2024/04/FactSheet\\_JPMorgan\\_First\\_Republic\\_One\\_Year-4.30.24.pdf](https://bettermarkets.org/wp-content/uploads/2024/04/FactSheet_JPMorgan_First_Republic_One_Year-4.30.24.pdf).

<sup>25</sup> See, e.g., Press Release, Board of Governors of the Federal Reserve System, *Federal Reserve Board Issues Final Joint Guidance To Help Certain Large Banks Further Develop Their Resolution Plans* (Aug. 5, 2024), <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20240805a.htm>; Press Release, Federal Deposit Insurance Corporation, *FDIC Board of Directors Approves Final Revised Rule to Strengthen Resolution Planning for Large Banks* (June 20, 2024), <https://www.fdic.gov/news/press-releases/2024/fdic-board-directors-approves-final-revised-rule-strengthen-resolution>; Press Release, Better Markets, *supra* note 5.

<sup>26</sup> See, e.g., Press Release, Better Markets, *supra* note 6.

While the 2024 rules made several changes that will result in a more robust process to guard against future bank failures falling on taxpayers' shoulders, the rules fell short in several key areas. Most damaging is the decision<sup>27</sup> to require full-scope resolution planning only every three years, instead of the biennial cadence put forth in the FDIC's original proposal, or every year as Better Markets had recommended. The cost and consequences of lengthy delays between recovery plans were made crystal clear in the 2023 crisis. For example, Silicon Valley Bank and First Republic Bank had filed recovery plans a few months before their failures, but the FDIC had not completed a review of the plans or provided feedback. Signature Bank had never filed a plan before its failure. Unfortunately, the FDIC's finalized rule expands the possibility that time lags and data gaps like these will continue to threaten financial stability.

Furthermore, banking regulators must strengthen their capabilities to engage frequently and constructively with banks throughout the recovery planning process. As former FDIC Chairman Gruenberg detailed, there are still reasonable doubts about the regulators' ability to successfully manage a megabank failure without a bailout because it has never been done.<sup>28</sup>

Moreover, as former Federal Reserve Vice Chair for Supervision Michael Barr rightly stated in a discussion of financial stability:

I have also learned that the best crisis management occurs beforehand, by strengthening rules and norms and other structures meant to reduce the risk of a crisis in the first place and by fostering organizational values and culture that will help manage a crisis when it comes.<sup>29</sup>

Holding the largest banks accountable for strong resolution and recovery planning benefits community banks, financial stability, and Main Street Americans and businesses because banking crises are avoided or minimized.

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<sup>27</sup> See, e.g., Press Release, Better Markets, *supra* note 5.

<sup>28</sup> Martin J. Gruenberg, *The Orderly Resolution of Global Systemically Important Banks: An Update from the FDIC* (Apr. 10, 2024), <https://www.fdic.gov/news/speeches/2024/orderly-resolution-global-systemically-important-banks-update-fdic>.

<sup>29</sup> Michael S. Barr, *Managing Financial Crises* 13-14 (Feb. 25, 2025), <https://www.federalreserve.gov/newsevents/speech/files/barr20250225a.pdf>.



## II. REINSTATE BROKERED DEPOSIT RULEMAKING.

In August 2024, the FDIC issued a Notice of Proposed Rulemaking that would correct and undo the most dangerous parts of the brokered deposit rules that were approved in 2020.<sup>30</sup> Better Markets strongly supported the proposal and urged the FDIC to finalize it.<sup>31</sup> This was because not doing so would increase the severity and cost of the next banking crisis, to the significant detriment of Main Street America.

The potential high cost to taxpayers of banks' misuse of brokered deposits has been well demonstrated by experience. For example, the cost of resolving failed savings and loans ("S&Ls") exceeded \$160 billion, with \$132 billion of those losses borne by ordinary taxpayers.<sup>32</sup> The losses were so high partly because nonviable S&Ls were able to use brokered deposits to expand their assets rapidly in an attempt to grow out of their problems, regardless of their poor financial condition.<sup>33</sup> As a result, losses grew much higher than they would have been had problems been dealt with promptly or had brokered deposit usage been limited.

The FDIC styled the 2020 changes to the brokered deposit regulations as an effort to modernize regulations and accommodate evolving industry practices.<sup>34</sup> The effect of these changes, however, was to substantially weaken the taxpayer safeguards that Congress put in place over three decades earlier.<sup>35</sup> As noted by the FDIC, the dollar amount of reported brokered deposits immediately plunged after the 2020 changes; *reported* brokered deposits dropped about \$350 billion or roughly 32 percent during the quarter following the effective date of the rule.<sup>36</sup> ***Importantly, even though these deposits no longer were classified as brokered deposits, the risk that they presented to banks remained.***

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<sup>30</sup> Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions; RIN: 3064-AF99; Document Number 2024-18214; 89 Fed. Reg. 68244 (Aug. 23, 2024), <https://www.govinfo.gov/content/pkg/FR-2024-08-23/pdf/2024-18214.pdf>.

<sup>31</sup> See, e.g., Better Markets Comment Letter, *Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions* (Nov. 21, 2024), <https://bettermarkets.org/wp-content/uploads/2024/11/Better-Markets-Comment-Letter-FDIC-Brokered-Deposits.pdf>.

<sup>32</sup> FEDERAL DEPOSIT INSURANCE CORPORATION, 1 HISTORY OF THE EIGHTIES—LESSONS FOR THE FUTURE 187 (Dec. 1997), <https://www.fdic.gov/resources/publications/history-eighties/volume-1/history-80s-volume-1-part1-04.pdf>.

<sup>33</sup> See, e.g., George G. Kaufman, *The Savings and Loan Rescue of 1989: Causes and Perspective*, Federal Reserve Bank of Chicago, Working Paper 1989-23 (Nov. 1989), [https://fraser.stlouisfed.org/files/docs/historical/frbchi/workingpapers/frbchi\\_workingpaper\\_1989-23.pdf](https://fraser.stlouisfed.org/files/docs/historical/frbchi/workingpapers/frbchi_workingpaper_1989-23.pdf).

<sup>34</sup> See Unsafe and Unsound Banking Practices: Brokered Deposits and Interest Rate Restrictions Final Rule, 86 Fed. Reg. 6742 (Jan. 22, 2021), <https://www.govinfo.gov/content/pkg/FR-2021-01-22/pdf/2020-28196.pdf>.

<sup>35</sup> See Better Markets Comment Letter, *Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions* (June 9, 2020), [https://bettermarkets.org/wp-content/uploads/2021/07/Better\\_Markets\\_Comment\\_Letter\\_on\\_Brokered\\_Deposits\\_6-9-2020.pdf](https://bettermarkets.org/wp-content/uploads/2021/07/Better_Markets_Comment_Letter_on_Brokered_Deposits_6-9-2020.pdf).

<sup>36</sup> Unsafe and Unsound Banking Practices: Brokered Deposits Restrictions, *supra* note 30, at 68244.

Unfortunately, the FDIC Board decided to discontinue the 2024 rulemaking<sup>37</sup> which would have closed dangerous loopholes that allowed banks to accept hot money deposits, which in turn increased risks and vulnerabilities to bank stability. This decision will not benefit the financial system, community banks, or consumers. This is why we urge the FDIC to resume its rulemaking efforts to control brokered deposit usage to protect the financial system and consumers.

### **III. STRENGTHEN LIQUIDITY REQUIREMENTS SUCH AS THE NSFR.**

One of the principal causes of financial crashes and contagion is a lack of readily available cash to meet customer, creditor, counterparty, and other demands, which typically spike in a crisis. Mismatches between banks' assets and liabilities—as well as banks' use of short-term funding — force banks into “fire sales” of assets, which cause asset prices to plummet, which leads to asset price markdowns, which ignite contagion and a vicious centripetal force pulling the entire banking and financial systems down. That is why banks having enough liquidity is key to preventing crashes, contagion, and taxpayer bailouts.

Better Markets strongly supported the proposed NSFR and its companion rule, the Liquidity Coverage Ratio (“LCR”) in 2016.<sup>38</sup> As proposed, these rules would have required the most dangerous, too-big-to-fail Wall Street banks to have enough very liquid, high-quality assets to fund themselves for a reasonable time without needing taxpayer bailouts.

Unfortunately, the rule that was finalized was substantially changed and weakened from the proposed version, apparently in response to objections and pressure from Wall Street's biggest banks.<sup>39</sup> The result was a final rule riddled with exclusions, limitations, definitions, and needless complexity, making it much less effective and providing innumerable opportunities for gaming by Wall Street's banks.

Restoring appropriately strong liquidity requirements, particularly for the largest banks, will benefit community banks, the entire financial system, and consumers because such requirements will reduce the likelihood of liquidity or cash shortages that can exacerbate a crisis.

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<sup>37</sup> See, e.g., Press Release, Better Markets, *supra* note 8.

<sup>38</sup> See Better Markets Comment Letter, *supra* note 10.

<sup>39</sup> See, e.g., Press Release, Better Markets, *supra* note 11.

**CONCLUSION**

We hope these comments are helpful for this Regulatory Review.

Sincerely,



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