TB 35 was rescinded 10/21/91. Incorporated into Thrift Activities 460 (450 1/94).

Handbook: Thrift Activities
Subject: Savings Solicitation/Other Borrowed Money

Section: 460
TB 35

October 26, 1989

"Brokered Deposits" Held at Troubled Institutions

RESCINDED

Summary: Thrift institutions' management should become familiar with the provisions of Title II, Section 224 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) which will prohibit brokered deposits at troubled thrift institutions after December 7, 1989. In addition, they should be alert to the FDIC's proposed regulation detailing how the provisions of FIRREA will be carried out and to plan for their funding accordingly.

For Further Information Contact:
Your District Office or the Thrift Programs Division of the Office of Thrift Supervision, Washington, DC.

Thrift Bulletin 35

Section 224 of FIRREA adds section 29 to the Federal Deposit Insurance Act which will prohibit the acceptance, renewal or rollover of brokered deposits by troubled institutions after December 7, 1989, except on specific application to and waiver of the prohibition by the FDIC. As defined by FIRREA, a "troubled institution" is any insured depository institution that does not meet the minimum capital requirements applicable to it. Brokered deposits are defined as funds accepted for deposit obtained directly or indirectly, by or through a deposit broker or any deposit, regardless of how it was obtained, that the thrift institution has agreed to pay at acceptance, renewal or rollover, a rate of interest significantly higher than the prevailing rate of interest offered by other thrift institutions in the institution's normal market area. The FDIC may consider a deposit "brokered" if the rate of interest that the thrift institution has agreed to pay at acceptance, renewal or rollover is more than 50 basis points higher than typically offered at that time for deposits of comparable maturity by other thrift institutions in its normal market area.

Thrift institutions that are utilizing brokered deposits and are not meeting their minimum capital requirement or are not likely to meet their requirement on December 7, 1989, should carefully analyze their need to hold such deposits beyond that amount essential to maintaining short-term liquidity in preparation for complying with the new requirements.

— Jonathan L. Fiechter
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