

115TH CONGRESS
1ST SESSION

S. 1500

To amend the Federal Deposit Insurance Act to ensure that the reciprocal deposits of an insured depository institution are not considered to be funds obtained by or through a deposit broker, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 29, 2017

Mr. WARNER (for himself, Mr. MORAN, Ms. HEITKAMP, Mr. PERDUE, Mr. MENENDEZ, Mr. BOOZMAN, and Mr. VAN HOLLEN) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To amend the Federal Deposit Insurance Act to ensure that the reciprocal deposits of an insured depository institution are not considered to be funds obtained by or through a deposit broker, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Keeping Capital Local
5 for Underserved Communities Act of 2017”.

1 **SEC. 2. LIMITED EXCEPTION FOR RECIPROCAL DEPOSITS.**

2 (a) IN GENERAL.—Section 29 of the Federal Deposit
3 Insurance Act (12 U.S.C. 1831f) is amended by adding
4 at the end the following:

5 “(i) LIMITED EXCEPTION FOR RECIPROCAL DEPOS-
6 ITS.—

7 “(1) IN GENERAL.—Reciprocal deposits of an
8 agent institution shall not be considered to be funds
9 obtained, directly or indirectly, by or through a de-
10 posit broker to the extent that the total amount of
11 such reciprocal deposits does not exceed the lesser
12 of—

13 “(A) \$10,000,000,000; or

14 “(B) an amount equal to 20 percent of the
15 total liabilities of the agent institution.

16 “(2) DEFINITIONS.—In this subsection:

17 “(A) AGENT INSTITUTION.—The term
18 ‘agent institution’ means an insured depository
19 institution that places a covered deposit
20 through a deposit placement network at other
21 insured depository institutions in amounts that
22 are less than or equal to the standard max-
23 imum deposit insurance amount, specifying the
24 interest rate to be paid for such amounts, if the
25 agent institution—

1 “(i)(I) when most recently examined
2 under section 10(d) was found to have a
3 composite condition of outstanding or
4 good; and

5 “(II) is well capitalized (as defined in
6 section 38(b)(1));

7 “(ii) has obtained a waiver pursuant
8 to subsection (c) of this section; or

9 “(iii) does not receive an amount of
10 reciprocal deposits that causes the total
11 amount of reciprocal deposits held by the
12 agent institution to be greater than the av-
13 erage of the total amount of reciprocal de-
14 posits held by the agent institution on the
15 last day of each of the 4 calendar quarters
16 preceding the calendar quarter in which
17 the agent institution was found not to have
18 a composite condition of outstanding or
19 good or was determined to be not well cap-
20 italized.

21 “(B) COVERED DEPOSIT.—The term ‘cov-
22 ered deposit’ means a deposit that—

23 “(i) is submitted for placement
24 through a deposit placement network by an
25 agent institution; and

1 “(ii) does not consist of funds that
 2 were obtained for the agent institution, di-
 3 rectly or indirectly, by or through a deposit
 4 broker before submission for placement
 5 through a deposit placement network.

6 “(C) DEPOSIT PLACEMENT NETWORK.—
 7 The term ‘deposit placement network’ means a
 8 network in which an insured depository institu-
 9 tion participates, together with other insured
 10 depository institutions, for the processing and
 11 receipt of reciprocal deposits.

12 “(D) NETWORK MEMBER BANK.—The
 13 term ‘network member bank’ means an insured
 14 depository institution that is a member of a de-
 15 posit placement network.

16 “(E) RECIPROCAL DEPOSITS.—The term
 17 ‘reciprocal deposits’ means deposits received by
 18 an agent institution through a deposit place-
 19 ment network with the same maturity (if any)
 20 and in the same aggregate amount as covered
 21 deposits placed by the agent institution in other
 22 network member banks.”.

23 (b) INTEREST RATE RESTRICTION.—Section 29 of
 24 the Federal Deposit Insurance Act (12 U.S.C. 1831f) is

1 amended by striking subsection (e) and inserting the fol-
 2 lowing:

3 “(e) RESTRICTION ON INTEREST RATE PAID.—

4 “(1) DEFINITION.—In this subsection, the term
 5 ‘covered insured depository institution’ means an in-
 6 sured depository institution that—

7 “(A) under subsection (c) or (d), accepts
 8 funds obtained, directly or indirectly, by or
 9 through a deposit broker; or

10 “(B) while acting as an agent institution
 11 under subsection (i), accepts reciprocal deposits
 12 (as defined in such subsection) while not well
 13 capitalized (as defined in section 38(b)(1)).

14 “(2) PROHIBITION.—A covered insured deposi-
 15 tory institution may not pay a rate of interest on
 16 funds or reciprocal deposits described in paragraph
 17 (1) that, at the time that the funds or reciprocal de-
 18 posits are accepted, significantly exceeds the limit
 19 set forth in paragraph (3).

20 “(3) LIMIT ON INTEREST RATES.—The limit on
 21 the rate of interest referred to in paragraph (2) shall
 22 be—

23 “(A) the rate paid on deposits of similar
 24 maturity in the normal market area of the cov-
 25 ered insured depository institution for deposits

1 accepted in the normal market area of the cov-
2 ered insured depository institution; or

3 “(B) the national rate paid on deposits of
4 comparable maturity, as established by the Cor-
5 poration, for deposits accepted outside the nor-
6 mal market area of the covered insured deposi-
7 tory institution.”.

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